

**MOVING BEYOND THE FIRST FIVE YEARS:  
SOLVING THE DEPARTMENT OF HOMELAND  
SECURITY'S MANAGEMENT CHALLENGES**

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**HEARING**

BEFORE THE

**SUBCOMMITTEE ON MANAGEMENT,  
INVESTIGATIONS, AND OVERSIGHT**

OF THE

**COMMITTEE ON HOMELAND SECURITY  
HOUSE OF REPRESENTATIVES**

**ONE HUNDRED TENTH CONGRESS**

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## **MOVING BEYOND THE FIRST FIVE YEARS: SOLVING THE DEPARTMENT OF HOMELAND SECURITY'S MANAGEMENT CHALLENGES**

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**Wednesday, April 9, 2008**

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON HOMELAND SECURITY,  
SUBCOMMITTEE ON MANAGEMENT, INVESTIGATIONS, AND  
OVERSIGHT,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:03 p.m., in Room 311, Cannon House Office Building, Hon. Christopher P. Carney [chairman of the subcommittee] presiding.

Present: Representatives Carney, Clarke, and Rogers.

Mr. CARNEY. The Subcommittee of Management, Investigations and Oversight will come to order.

The subcommittee is meeting today to receive testimony on "Moving Beyond the First Five Years: Solving the Department of Homeland Security's Management Challenges."

After 5 years DHS stands at the proverbial fork in the road. One path is the easy way. Keep on wandering forward, never stopping to ask whether what you are doing makes sense or whether you need to rethink this route.

This way would lead the Department to move to more wasteful contracts, painful congressional hearings, remaining as the butt of late night comedian's jokes, and, God forbid, perhaps another bungled Katrina response.

This route may well also lead to the breaking up of the Department and result in our preparedness efforts being set back decades.

The other path requires taking a hard look at what has worked over the past 5 years and what has not. It requires setting aside pride and emotion, and where necessary, admitting error. It requires respecting those who conduct oversight, not resisting and re-sending them.

This road will be hard and will not lead to instant success. Rather, it will bring slow, incremental improvements. But in 5 years there would still be a Department of Homeland Security, and it would be much improved from the one that we know today.

No large organization is perfect, whether in the public or private sector. We do not expect perfection, but organizations that are not accountable for their failings do not survive.

So what we ask is for accountability, introspection and gradual improvement. Five years from now, we need a Department that has

embraced the concept of one DHS, while still recognizing the special skills and missions of the individual components.

We need a Department that has a full seat at the Federal table, leading the government in preparing for and, if necessary, responding to the next disaster. We need a Department that has enough contracting officers to develop and oversee its major procurements.

We need a Department that does not rely on expensive contractors to perform the everyday functions that should be carried out by government workers.

The transition to the next Presidential administration is a crucial point in the Department's development. If it is botched, the Department will suffer, and the Nation will suffer. As the committee charged with oversight of the DHS, it is our responsibility to ensure that transition planning is on track.

So, as I said, we are at a fork in the road. I hope DHS chooses the tough road, but the one that will make it better and make it safer for all Americans.

Before I close, I want to take a moment to thank all of our witnesses for getting their testimony in on time. Both you and your staff's efforts in this regard are much appreciated, and I hope the Department will make this a habit in the future.

The chair now recognizes the ranking member of the subcommittee, the gentleman from Alabama, Mr. Rogers, for an opening statement.

Mr. ROGERS. Thank you, Mr. Chairman.

I want to thank all the witnesses for taking the time to be here. I know all of you have testified before this committee in the past, and we welcome you back. I also want to take this time to congratulate Elaine Duke on her nomination by the president to serve as under secretary of management at DHS.

We appreciate your hard work and look forward to continuing to work with you as you work for the American people.

Today's hearing continues the work of this subcommittee in the 109th Congress on overseeing management challenges facing DHS. Areas we explored include contracting reforms, procurement staffing levels, employee morale, information security and training costs.

Under Ms. Duke's leadership as former chief procurement officer, DHS made significant improvements in its procurement operations. However, I think we can all agree that more procurement staff are needed at DHS to ensure that contracts are awarded and managed effectively.

As this hearing focuses on the management challenges facing DHS, it is important to keep in mind what Congress can do to help the Department in this area.

First, Congress needs to enact the remaining 9/11 Commission recommendations and consolidate jurisdiction over DHS. Currently, DHS officials report to 86 committees and subcommittees, resulting in conflicting guidance over the Department.

With that, Mr. Chairman, I would like to ask unanimous consent to this chart, reflecting those 86 committees, be inserted in the record.

[The information follows:]

Mr. ROGERS. The second thing that I think we need to do is the committee needs to pass an annual DHS authorization bill, as it has done each year since the committee was established. To be effective, the authorization bill must be passed before Congress acts on the Department's appropriation bill later this spring.

I think all of us would agree that the hard-working folks at DHS would benefit from stability in the workplace, consolidated oversight by Congress, and an authorization bill.

This not only would strengthen DHS, but would also strengthen the Nation's security. I look forward to hearing from our witnesses. With that, Mr. Chairman, I yield back.

Mr. CARNEY. Thank you.

Other members of the subcommittee are reminded that under committee rules, opening statements may be submitted for the record.

I would like to welcome the panel of our witnesses today.

Prior to this appointment, Ms. Duke served as the Department's chief procurement officer and the deputy assistant administrator for the Transportation Safety Administration. She was recently nominated to be the Department's next under secretary for management.

Congratulations on that nomination.

Our second witness is Norm Rabkin, the managing director of the Homeland Security and Justice Team at the Government Accountability Office, a position in which he has served since January 2003.

Mr. Rabkin is in charge of managing GAO's reviews of issues related to homeland security, Federal law enforcement, the Federal judiciary and Federal funds provided to State and local law enforcement agencies.

Our third witness is Mr. Clark Kent Ervin, the director of the Homeland Security Initiative at the Aspen Institute. Mr. Ervin previously served as the first inspector general of the Department of Homeland Security, where he was charged with providing oversight of the new Department.

The fourth witness is Dr. James Carafano, the assistant director of the Kathryn and Shelby Cullom Davis Institute for International Studies and senior research fellow for the Douglas and Sarah Allison Center for Foreign Policy Studies at the Heritage Foundation.

Dr. Carafano's areas of expertise include homeland security and counterterrorism. Prior to his current position, Dr. Carafano served 25 years in the U.S. Army, where he reached the rank of lieutenant colonel.

Thank you for your service to the Nation, sir.

I thank you for all for being here.

Without objection, the witnesses' full statements will be inserted into the record. I now ask each witness to summarize his or her statement for 5 minutes, beginning with Ms. Duke.

**STATEMENT OF ELAINE C. DUKE, DEPUTY UNDER SECRETARY FOR MANAGEMENT, DEPARTMENT OF HOMELAND SECURITY**

Ms. DUKE. Thank you, Mr. Chairman.

Thank you, Member Rogers and Members of the subcommittee.

It is a pleasure to appear before you this afternoon my first time as the deputy under secretary of management before this committee. I have been in this position about 5 months, but I have spent most of my 25 years of civil service in the procurement profession, most recently as the Department's chief procurement officer.

Secretary Chertoff has established five priorities for the Department, the fifth of which is to strengthen and unify DHS operations



and management. Management's role enables the Department to accomplish the other four mission goals.

We accomplish this through the management of six chiefs: chief financial officer, procurement, human capital, security, administrative and information officers. To that end, our most significant effort is to continue transforming the Department into a unified force that protects our country.

DHS, whose size is that of a Fortune 30 company, has merged 22 agencies with approximately 208,000 employees.

My top priority is that the deputy under secretary have essential elements in achieving the DHS mission: first, to prepare for the Department's 2009 administration transition; second, to improve acquisition and procure; and third, to strengthen the requirements process and integrate it into the planning, programming, budget and execution system.

In this, my goal in transition is focusing on three areas, thus ensuring the internal processes are employed, that we have a knowledge management transfer, and that the personnel in the Department have the training, exercises and experience necessary to operate in their new roles.

On improving acquisition and procurement, the Department is in the midst of many critical acquisitions that are vital to the success of our mission. That is why the chief procurement officer and I are working to institutionalize solid process. To this end, we are working on a joint requirements council and investment review processes that are more robust and complete with the Department.

We are ensuring that program officers are properly structured and staffed with persons with the right skills to ensure we have effective management of our programs and oversight of those programs. We are examining best practices to ensure that metrics are in place to have properly measured successful performance, cost schedule and performance of these programs.

In 2005 we established the DHS Acquisition Fellows Program, which is attracting new talent into entry levels, where we will retain and train them through professional career development. This coming June a diverse class of 20 fellows will be graduated.

Building on its success, we expanded the program to support 83 intern positions for fiscal year 2008, to a total of 100 in fiscal year 2009. Our goal is to have 300 interns by the year 2011.

We exceeded both the administration's and the Department's goal of 30 percent set-aside for small business in our contracts. We awarded about 33 percent of our procurement dollars to small business. Of that, 11.5 percent went to small, minority-owned, women businesses. We are proud of these numbers.

In the human capital area, we are developing a Department-wide, results-oriented, strategic human capital plan and aggressively building a world-class organization. We have implemented the enterprise E-recruitment system at headquarters, and it replaces about 20 hiring systems throughout the Department. We will complete the deployment of that Department by January 2011.

We are also on our way to achieving a hiring target in the front line mission-critical occupations. We have a robust veteran outreach program that was launched last year, and nearly one-quarter

of our DHS workforce are veterans, including 28 percent of our managers and supervisors.

Our mission demands an integrated approach to protect our homeland, yet the Department's legacy facilities are dispersed into 40 locations and 70 buildings throughout the national capital region.

Therefore, one of our priorities is to get congressional support to the Department and authorizing and appropriating funds for DHS consolidation at St. Elizabeth's West Campus and the efficient realignment of off-campus locations that will reduce the overall future cost inefficiencies.

I thank you for your leadership and oversight and continued support of the Department and its management programs. I look forward to working with you in shaping the future and success of DHS with energy and enthusiasm. I would be pleased to respond to your questions. Thank you.

[The statement of Ms. Duke follows:]

PREPARED STATEMENT OF ELAINE C. DUKE

APRIL 9, 2008

THE FUTURE OF DHS MANAGEMENT

Thank you Mr. Chairman, Ranking Member Rogers and members of the subcommittee. It's a pleasure to appear before you today for the first time as the Deputy Under Secretary for Management (DUSM).

I have been in this position for over 5 months but have spent most of my 25 years of public service in the procurement profession, most recently as the Department's Chief Procurement Officer.

The Deputy Under Secretary for Management position was created as part of the Department's 2009 Administration Transition Planning efforts. By having a senior career civil servant in this capacity, rather than a political appointee, the Department can ensure operational continuity during the change in administration. As the current Under Secretary for Management, Mr. Paul Schneider, is currently serving as the Acting Deputy Secretary, my position holds the authorities of the Under Secretary for Management.

Our most significant effort is to continue transforming the Department of Homeland Security (DHS) into a unified force that protects our country. DHS, whose size is that of a Fortune 30, has merged 22 agencies with approximately 208,000 employees. This effort requires the effective and efficient use of financial and human resources, enabling technology, strong processes and superb management. It is toward this effort that I devote my focus, time, and energy.

Our approach has a common thread through this effort: to ensure that there is a comprehensive and integrated strategy throughout the Components with specific and measurable goals that support the activities and priorities of the Department. On a practical level, we will ensure the success of this effort by having a team that possesses the right knowledge, skills and abilities to support the programs, transform disparate operations, and measure progress against metrics and milestones.

The key elements of our strategy in this effort are to continue:

- Improving acquisition and procurement throughout the Department;
- Strengthening the requirements and investment review processes;
- Acquiring and maintaining human capital;
- Seeking efficiencies across the enterprise in operations and the use of resources;
- Making the key management systems, such as financial and human resources, world class; and
- Acquiring the funding and approval for DHS' consolidation at St. Elizabeths West Campus and the efficient realignment of all Department of Homeland Security off-campus locations.

As the DUSM, I lead the Management Directorate's efforts through a well-focused, well-developed strategy that:

- Provides structure to strengthen unified organizational governance and enhance department-wide communication, decisionmaking and oversight;

- Optimizes processes and systems to integrate functional operations and facilitates cross-Component synergies and streamlines coordination to ensure reliable and efficient support of mission objectives;
- Fosters leadership that adheres to the core values and guiding principles of DHS in performing duties, effecting progress and leading with commitment for the mission; and
- Leverages culture and the benefits of commonalities and differences across Components to promote cooperative intra and inter-agency networks and implement best practices.

The top priorities, which are essential elements to achieving the DHS mission and practicing sound stewardship of taxpayers' money are:

- First: Prepare for the Department's 2009 administration transition;
- Second: Improve acquisition and procurement; and
- Third: Strengthen the requirements process and integrate it into the Planning, Programming, Budgeting, and Execution (PPBE) system.

My goal on transition is to focus on three areas: Internal Processes, Knowledge Management, and Training and Exercises. The Internal Processes initiative will review our Directives for sufficiency, strengthen records management, ensure proper succession planning, and improve our processes for incoming and exiting employees. The Knowledge Management initiative will produce briefing materials, but more importantly, it will convey to career executives and incoming appointees the requisite knowledge to keep the Department running during the Transition. The Training and Exercises initiative focuses on training conferences, briefings and exercises in order to prepare identified senior level career personnel within each Component who are expected to serve in an acting capacity upon the departures of the appointees. It is critical that these acting personnel are prepared to be informed decisionmakers in the event of a serious incident arising, whether man-made or natural. This initiative also facilitates direct interactions among Federal, State, local and tribal officials with homeland security responsibilities.

The Department of Homeland Security is in the midst of many crucial acquisitions that are vital to its success. That is why the Chief Procurement Officer and I are working to strengthen acquisition and procurement by institutionalizing solid processes. To this end we are:

- Strengthening the requirements and investment review processes by improving the joint requirements council and Investment Review Board (IRB) process. We are preparing to initiate a new Department-wide requirements process and have reinvigorated our investment review process;
- Reviewing the major programs and investments to ensure that the requirements are clear, cost estimates are valid, technology risks are properly assessed, schedules are realistic, contract vehicles are proper, and the efforts are well-managed. We have held one formal IRB with Acting Deputy Secretary Schneider and are projecting to hold one per month. We are also beginning the processes to conduct paper IRBs and IRBs with the DUSM, as well as establishing Acquisition Program Baselines (APBs) and authorizing execution to the APB for all Level 1 and 2 programs;
- Building the capability to manage complex efforts by ensuring that program offices are properly structured and staffed with the right people and skills to ensure efficient and effective program management and oversight;
- Aggressively hire where we have known shortages; and
- Examining best practice metrics in use by other departments with the intent to start implementation this year.

My focus is to continue transforming the Office of Chief Procurement Officer (OCPO) into an Acquisition Office. Often, the terms Procurement and Acquisition are incorrectly used interchangeably. Procurement is only one element of acquisition management, whereas acquisition expands beyond the "purchase" of an item or service to include other important aspects, such as understanding operational and life-cycle requirements, formulating concepts of operations, developing sound business strategies, exercising prudent financial management, assessing tradeoffs, and managing program risks. Best practice acquisition management is executed by teams of professionals who understand and are able to manage the entire life-cycle of a major program effort. We are making progress toward this goal.

The Acquisition Program Management Division (APMD) of OCPO began operations in August 2007. The division was established to provide oversight and support for acquisition programs. To date, APMD has performed Quick Look assessments of 37 Level 1 programs and has overseen Deep Dive reviews of the SBInet and Advance Spectroscopic Portal (ASP) programs. APMD has provided advice and guidance to a number of programs, particularly in the area of cost benefit analysis. Currently, the APMD team is focused on an aggressive Investment & Acquisition

process re-engineering effort. The effort includes replacing Directive 1400, establishing revised investment and acquisition decision procedures, as well as processes for acquisition program baselining, periodic reporting, acquisition of services, and other initiatives as they are identified.

DHS' \$17 billion procurement spend plan provides for the development, fielding and support of significant homeland security capabilities. For example, U.S. Coast Guard contracts are providing aircraft and ships from the Integrated Deepwater System and search and rescue capability from the Rescue 21 program. Transportation Security Administration (TSA) contracts are providing additional capabilities via the Electronic Baggage Screening Program. Consistent with the SBI Strategy, U.S. Customs and Border Protection (CBP) is developing and fielding the capabilities at and between our Nation's ports of entry to gain effective control of our borders. The Domestic Nuclear Detection Office is developing and testing a new type of radiation portal monitor, known as the Advanced Spectroscopic Portal, to improve the Nation's defense against the threat of nuclear smuggling.

Obtaining qualified acquisition professionals at the right time with the right skill-set continues to be a challenge for the Department. Competition for these professionals is intense within the Washington, DC area. To resolve our personnel shortages, we are intensifying our human capital planning efforts to minimize skill and competency gaps as well as minimize our critical vacancies and reliance on contractors. For example, in response to the Office of Management and Budget (OMB) 1102 Contracting Workforce Competency Gap Survey, we developed a training plan that spans the next 3 years. This training plan targets the contracting functional area within the DHS Acquisition Workforce, but it will also benefit other acquisition career fields including program management and Contracting Officer's Technical Representatives. We are also currently conducting staffing studies to better define our acquisition workforce needs. Currently our workforce includes program managers and contract specialists. As part of our human capital planning efforts, we will be identifying other required acquisition career fields such as test and evaluation, systems engineering, logistics, and cost estimating. We are aggressively working to ensure that each acquisition position, upon definition, is encumbered by an acquisition professional trained and certified at the appropriate level. To this end, we are continuously reviewing and updating our Acquisition Training Program, the underpinning of a good certification program. We are utilizing the Defense Acquisition Workforce Improvement Act framework to develop DHS certification standards. We have also centralized a number of recruiting activities including issuing Department-wide vacancy announcements. Our centralized recruitment efforts to date have focused primarily on contracting professionals. Expansion to other acquisition career fields will occur as each series is defined and Department-wide needs are identified. This initiative supplements our Components' on-going recruitment efforts with a goal of recruiting the best candidates available.

Our most substantial recruitment activity began in 2005 with the establishment of a DHS Acquisition Fellows Program. The goal of the Fellows Program was to attract new talent at the entry level into our acquisition positions, and retain and train them through a professional career development program. The Office of Procurement Operations (OPO) and the TSA participated in this program and this coming June, a diverse class of 13 Fellows from TSA and seven Fellows from OPO will be graduating.

Building on the success of the Acquisition Fellows Program, we expanded it into the Acquisition Professional Career Program and modeled it to further resemble the highly successful Department of Defense program. This year we plan to expand the program to support 33 additional intern positions. In fiscal year 2009 we are planning for a total of 100 intern positions to be funded. Our inaugural Acquisition Professional Career Program class began in January 2008 and a second class will begin in June 2008. Our goal is to grow this program to 300 positions by fiscal year 2011 to fill critical acquisition positions.

A final point that I would like to make regarding the Department's acquisition and procurement practices is that DHS has exceeded both the administration's goal and the Department's elevated goal of 30 percent for small business prime contracts. According to our preliminary assessment, I am happy to report that in fiscal year 2007, approximately 33 percent of the procurement dollars went to small business prime contractors. Of that 33 percent, about 11.5 percent was awarded to small, minority-owned businesses. These preliminary statistics include TSA, which formally began adherence to the Small Business Act on October 1, 2006 and is transitioning to the Federal Acquisition Regulation for its solicitations issued June 23, 2008 or later. We are proud of these numbers and consider them to be evident of our commitment to support small businesses, and to demonstrate our awareness of the role

that small businesses play in supporting our Nation's ability to prepare for and respond to terrorist attacks and natural disasters.

Having just shared the top priorities, I would like now to discuss the key elements of Management's strategy to continue transforming the Department into a unified force.

#### HUMAN CAPITAL

Human Capital has developed a results-oriented strategic human capital plan and is aggressively building a world-class organization by hiring and retaining a talented and diverse workforce. Our operational plan identifies specific activities with milestones for integrating workforce planning in human capital operations, improving DHS-wide hiring and retention practices, and leveraging our partnership with the DHS Civil Rights and Civil Liberties Office to continually increase diversity across DHS.

We are improving our hiring processes by educating our hiring managers and human resource officials on the flexibilities that are currently available as well as implementing an enterprise E-recruitment system.

This new system replaces 20 hiring systems previously used across the Department and consists of three modules: Staffing Acquisition, On-Boarding and Advanced Reporting/Analytics. We plan to deploy this automated, end-to-end hiring system in phases, by module across the Department by January 2011. This system:

- Covers the Federal hiring process and rules from workforce planning to placing a new hire at his or her fully equipped work-station;
- Includes a configurable workflow providing visibility across all key touch-points of the hiring work stream to managers, human resources and candidates; and
- Streamlines an array of administrative processes associated with hiring, assisting DHS in its ability to hire quality candidates more quickly; manage hiring activity and workforce trends; and provide integrated data for reporting especially in the Equal Employment Opportunity (EEO) arena.

We are well on our way to achieving our hiring targets in our frontline mission critical occupations as well. At Immigration and Customs Enforcement (ICE), we have already filled over 908 positions this fiscal year. Of those, 598 are key front line occupations, and we expect to exceed our hiring goal of 1,096 additional new hires in key occupations this year. The Federal Emergency Management Agency reached a 95+ percent staffing level for the first time at the end of fiscal year 2007, and is implementing a plan to reach that level again in fiscal year 2008 despite significant increases in approved staffing levels. We plan to have 17,819 Border Patrol Agents on board by the end of fiscal year 2008, 18,319 by the end of calendar year 2008, and over 20,000 by the end of fiscal year 2009. Furthermore, CBP, in partnership with the Federal Law Enforcement Training Center (FLETC), has developed a plan within the current budget to train all of the new agents in basic academy and Spanish language training at the Border Patrol Academy in Artesia, New Mexico.

By reflecting America's diversity, our employee workforce will provide the widest range of solutions, ideas, and decisions to protect America. We are committed to achieving a diverse DHS workforce, including our executive cadre. Nearly one-fifth (19.4 percent) of the Department's employees are Hispanic, and 14.6 percent are African-American. Women compose nearly one-third of our workforce at 32.3 percent. Among our executive cadre, 45 percent of U.S. Citizenship and Immigration Service (USCIS) executives are women; nearly 10 percent of TSA's executives are African-American; and 14 percent of executives at ICE are Hispanic, as are 12 percent at CBP.

For example, we have established a formal partnership with the Urban League's Black Executive Exchange Program (BEEP). With managerial support, 150 DHS employees volunteered to represent DHS at BEEP-sponsored events at Historically Black Colleges and Universities. We are also pursuing similar partnerships with the National Association of Hispanic Federal Executives, African American Federal Executive Association, and the Hispanic Scholarship Fund Institute.

In addition, we plan to expand upon our robust and innovative Veterans Outreach program launched last year, which included creation of a one-stop Web page for veterans seeking to continue their service to America by working for DHS, establishment of a Veterans Outreach forum of external stakeholders to advise us on our Veterans Outreach initiatives, and delivery of refresher training on Veterans Preference programs for Human Resource and EEO specialists throughout the Department. This year, we plan to establish a DHS Veterans Speakers Cadre composed of DHS employees who are veterans to address veterans groups. Nearly one-quarter (24.2 percent) of the DHS workforce are veterans, including 28.4 percent of our

managers and supervisors. In 2007, DHS hired 6,013 veterans, nearly double the number hired in 2006 (3,015). DHS currently employs approximately 6,400 disabled veterans.

Both Secretary Chertoff and former Secretary Ridge have led a focused initiative to ensure that people with disabilities, including veterans who have been wounded serving our country overseas, are offered equal employment opportunities.

DHS was among the first Federal agencies to participate in the Department of Defense's Operation Warfighter Program. DHS representatives regularly visit Walter Reed Army Medical Center and have provided temporary assignments to over 40 wounded soldiers and permanent assignments to nine.

DHS also participates in the Workforce Recruitment Program and other intern programs specifically targeting individuals with disabilities. Many of these interns have been offered full-time positions upon completion of their internship. We have also recently deployed a new training program "Employment of People with Disabilities: A Roadmap to Success." It describes the Department's initiatives and identifies the tools to make hiring of individuals with disabilities easier for managers.

Since the establishment of the American Association of People with Disabilities IT summer intern program, DHS has been one of the biggest supporters and users. DHS normally hires two of the 10 available Government-wide summer interns, and has made two permanent hires from this group.

Although we have achieved a well-balanced workforce, we must do better in ensuring that our leadership ranks reflect the Nation's diversity. In particular, the Secretary, Acting Deputy Secretary, and I are committed to ensuring that the talent pool for Senior Executive Service positions is representative of our Nation as a whole. To that end, we have taken several very solid steps recently. We have designated our Management Council as DHS' de facto Diversity Council to provide high-level direction, priorities, and support toward enhancing diversity. This Council is composed of diverse, top-level representatives from each Component and is chaired by me. One of the Council's first actions will be to benchmark best practices in the Department in the area of diversity, approve a Department-wide Diversity Strategy, and implement a Diversity Action Plan for fiscal year 2008–2010. Other plans include:

- Conducting a cultural audit to augment employee survey results and baseline our diversity profile;
- Establishing an external Diversity Outreach Forum, whereby interested stakeholders may advise us on our diversity efforts; and
- Designing and deploying Diversity Management and Diversity Awareness training.

Additionally, the Department offers a Senior Executive Service Candidate Development Program (SES CDP). The program is similar to other SES CDP offered by agencies throughout the Federal Government. The program requirements are outlined by the Office of Personnel Management (OPM), which also approves each department's program individually.

The goal of the program is to prepare candidates to be approved for selection into the Senior Executive Service. We currently have two classes:

- Headquarters runs a Department-wide CDP:
  - 14 participants in 2007;
  - 23 participants in 2008.
- Additionally, CBP and TSA are planning their own programs under the auspices of our OPM-approved SES CDP, with review by the Chief Learning Officer. Both programs will commence in 2008.
- The United States Secret Service (USSS) also runs a program that will come under the Department-wide CDP umbrella.
- The CBP, TSA and USSS programs will comply with the provisions of the Department's OPM-approved CDP while targeting the unique requirements of the law enforcement missions.

The program content and process includes:

- Initial assessment against OPM's Executive Core Qualifications (ECQs);
- Orientation;
- Residential programs;
- Coaching and mentoring;
- Rotational assignment (4 months long);
- Other developmental activities as required by the outcomes of the initial assessment; and
- Portfolios submitted to OPM for final approval of SES CDP candidates.

All together, these programs over time, will ensure the Department has an enterprise-wide SES Candidate Development Program that meets the Department's suc-

cession planning needs and supports the promotion of a representative and diverse workforce into the ranks of the SES.

#### FINANCIAL MANAGEMENT

The 22 agencies that formed DHS brought their financial management issues with them. As a result the Department has had substantial challenges to overcome in its effort to improve its financial management processes. However, to date, we have reduced material weakness component conditions from 25 in 2006 to 16 in 2007. The Chief Financial Officer (CFO) and I are working to make measurable, demonstrable progress in the development and implementation of the following:

- Appropriate systems and processes that ensure clean audit opinions;
- Sound internal controls for financial reporting;
- Timely, accurate, and useful financial data collection for analysis; and
- Efficient financial management services.

Success in these areas rests upon a framework of policies, processes, systems, people and accountability. We have efforts underway in each of these areas. For example, the "Internal Controls Playbook" is a corrective action plan that includes Federal Government best practices for financial management. The Playbook was approved by Secretary Chertoff and disseminated throughout the Department. Through this Playbook, we are aggressively ensuring that internal audit and control systems are in place to help us achieve the mission and execute the Department's strategy. In executing this effort, we work closely with the Office of the Inspector General. Because of the importance of this effort, the CFO and I brief the Secretary monthly on its status.

As a result of these efforts, for the second consecutive year, the outcome of the independent audit shows significant progress. Our 2007 audit again demonstrates that financial management at DHS has improved dramatically. Consider these highlights:

- We corrected material weakness conditions related to financial management and oversight through a strengthened control environment and bolstered oversight functions with the strong support of the Department's Secretary and Under Secretary for Management;
- TSA received a qualified audit opinion on their fiscal year 2007 Balance Sheet. In addition, ICE sustained fiscal year 2006 progress and eliminated all remaining material weakness conditions. CBP and FLETC obtained an unqualified opinion on all fiscal year 2007 Financial Statements;
- We improved the number of organizations that do not contribute to a Department-wide material weakness from four [USSS, Science and Technology, FLETC & USCIS] to seven from 2006 to 2007. This now includes CBP, ICE, FLETC, USCIS, USSS, US-VISIT, and Science and Technology;
- We reduced the number of Component conditions that contributed to our fiscal year 2007 material weaknesses from 25 to 16;
- We reduced Department-wide audit disclaimer conditions by 40 percent;
- Under the Chief Information Officer's (CIO) leadership, the number of Components contributing to the Department-level information systems security material weakness dropped from six to three; and
- The Secretary provided the Department's first-ever assurance statement on the design effectiveness of internal control over financial reporting.

The fiscal year 2007 audit shows our corrective actions are working, and I am particularly encouraged by our efforts to sustain this progress. While significant internal control challenges remain, they are in much more focused areas and we are tackling them in a targeted approach.

The Director of Program Analysis and Evaluation was designated the departmental Performance Improvement Officer. This will bring greater structure, coherence and focus on our performance measurement function, and improve our external reporting requirements and accountability within the Department.

We have developed a strategy to consolidate financial management systems across the Department. Our strategy to yield timely and accurate financial data includes OMB-compliant accounting lines, the centralization of business processes and robust business intelligence tools to ensure that both our leadership and external stakeholders receive actionable, timely and transparent financial information.

Finally, we are working to ensure the Department's grant program has the necessary internal controls in place, are adhered to, and that funds to State and local first responders are monitored to achieve success with measurable outcomes.

## INFORMATION TECHNOLOGY

We continue to address matters within information technology management. Utilizing information technology (IT), the Department has established and institutionalized Department-wide business processes and systems to manage information. For example, the CIO heads the DHS CIO Council, whose membership includes the CIOs from all of DHS' components. The Council works to standardize business practices where it makes sense in order to improve information sharing. These efforts improve Department operations and reduce costs by eliminating duplicative IT systems.

Particular initiatives that have contributed toward improved information management at reduced costs include the following initiatives:

- Consolidation of major networks and systems continues; in fiscal year 2007, we consolidated 100 percent of DHS Headquarters, CBP, ICE, FLETC and USCIS network sites (over 1,780 sites) to a single Multiple Protocol Label Switching network allowing DHS transparent monitoring of network performance and activity, prioritization of traffic, vastly improved security posture, and established two DHS enterprise-wide data centers to migrate DHS system operations.
- Established the regulatory framework to ensure the Department CIO has control over Department-wide IT Acquisitions, budgets, and personnel performance. In 2007 we aligned in excess of \$3.2 billion of IT investment to Department priorities.
- Implemented a comprehensive Concept of Operations for the DHS Security Operations Center, including: (1) Incident Reporting and tracking Web page, and (2) Privacy incident reporting guide, thereby ensuring that the IT systems are receiving the highest security assurance.

## LEVERAGING ASSETS AND BUSINESS PROCESSES

One of the founding principles of the Department is to leverage assets and business processes to provide a nimble and efficient operation that can focus on our mission. We have several efforts underway to streamline our business processes and to make more efficient use of our assets, especially real estate.

Significant efforts are already underway to ensure that all necessary Directives are updated and implemented prior to the close of this fiscal year. Directives are a key component in ensuring consistent application of DHS policy and business practices across the Department.

Records management is vital to ensuring that accurate and reliable information is available to DHS decisionmakers. It is an important component of a successful transition, and of DHS' continuity plan. The current records management process is largely paper-based and we are currently planning an electronic records management system. In the meantime, we have updated and established schedules for records retention and disposal and are rolling out training so that all employees understand their responsibilities for records management.

We have developed a Department-wide real property asset management plan and performance measures to guide decisionmaking for effective and efficient use of real estate. We have developed a strategy for collocating appropriate Department activities to enhance mission support and eliminate duplication. One of the first and most critical steps of this strategy is the establishment of a permanent consolidated Headquarters for DHS. This is one of the Secretary's top priorities.

## CONSOLIDATED DEPARTMENT OF HOMELAND SECURITY HEADQUARTERS

Our mission demands an integrated approach to protect our Homeland. Yet, the Department's legacy facilities are dispersed in 40 locations and 70 buildings throughout the National Capital Region (NCR). This dispersal adversely impacts critical communication, coordination, and cooperation across the Department. Moreover, we currently have 40 additional NCR space requests pending with the General Services Administration (GSA) that will further exacerbate the problem. An adequately sized and functionally appropriate consolidated Headquarters will be a monumental step in helping the Department meet the strategic imperative of unifying DHS operationally, administratively, and culturally, as well as remove the physical barriers that impact unity of purpose and effort.

A consolidated DHS Headquarters also has positive resource implications. GSA determined consolidating office space at St. Elizabeth's will result in a significant future cost avoidance, once the project is funded and underway as compared to individually renewing leases. In addition DHS expects to achieve further efficiencies by reducing administrative overhead, eliminating redundancies, and sharing common campus services.



The Department also needs to reduce the total number of locations that house DHS Components within the NCR to as few as possible in order to reduce overall future costs and inefficiencies due to our geographic dispersion. Consolidating NCR Headquarters mission support functions that do not relocate to St. Elizabeth's has the potential to achieve comparable cost avoidances. The real estate portfolio is currently planned to be reduced to a manageable number of six to eight locations.

I request in the strongest terms that Congress support the Department by authorizing and appropriating funding for DHS' consolidation at St. Elizabeth's West Campus and the efficient realignment of off-campus locations that will follow in future budget years.

#### CONCLUSION

Secretary Chertoff has expressed that one of his primary goals for DHS is to strengthen DHS core management, policy and operational integration. The other four are:

- Protect our Nation from dangerous people;
- Protect the Nation from dangerous cargo and things coming into the country;
- Protect and harden our critical infrastructure; and
- Strengthen our emergency preparedness and response.

While my testimony today focuses on the management area, we have made significant progress in each of the other four mission areas as well. As the Department enters into its next stage of development to transform into an effective, integrated organization, it is important to keep in mind that this process is a marathon, not a sprint. We must develop sustainable, long-term processes which will build capabilities. While we certainly realize the importance of timeliness, we want to be proactive and forward-looking. To do so, we need to get correct systems in place. This takes time, but it is more beneficial, productive, and efficient in the long run. We are building for the future.

Thank you for your leadership and continued support of the Department of Homeland Security and its management programs. I look forward to working together with you in shaping the future and success of DHS with energy and enthusiasm. Thank you for this opportunity to be here today, and I will be pleased to respond to any questions that you may have.

Mr. CARNEY. I thank you for your testimony.

I now recognize Mr. Rabkin, to summarize his statement, for 5 minutes.

#### **STATEMENT OF NORMAN J. RABKIN, MANAGING DIRECTOR, HOMELAND SECURITY AND JUSTICE TEAM, GOVERNMENT ACCOUNTABILITY OFFICE**

Mr. RABKIN. Chairman Carney, Mr. Rogers, I am pleased to be here this afternoon to discuss the challenges that DHS faces in managing its missions, its finances, its people, its acquisitions, its information and its real property.

My statement summarizes the progress DHS has made in implementing core management functions. Based on our assessments and those of the DHS as inspector general over the past 5 years, we concluded that DHS has made limited progress in the management of its human capital and information technology resources, modest progress in managing its finances and acquisitions, and moderate progress in managing its real property assets.

Let me put this in a couple of different perspectives. First, let's compare DHS' management status and that of other Federal agencies. This is the latest scorecard from the president's management agenda. The OMB issues this.

Of the 26 departments and agencies that it lists, only three have not achieved what OMB calls success in the five major management categories that it looks at. OMB itself hasn't, the Department of Defense, and DHS.

Maybe it is not fair to compare DHS to those other agencies. After all, it is only 5 years old, and as you mentioned, from our study of mergers and acquisitions, we recognize that it generally takes at least 5 to 7 years for an organization like DHS to transform itself and operate successfully.

So the second perspective can be to compare DHS' progress in its management areas to its progress in its mission areas. We have concluded that DHS has made more progress in meeting Congress' and the president's expectations for its primary missions—things like maritime and aviation security, immigration enforcement, critical infrastructure protection.

It is understandable that DHS would devote more focus and more energy to these areas than to its management areas. But I believe that it is reasonable now to expect DHS to devote comparable focus and comparable energy to solving its management challenges.

Through the end of this year, we will be exploring DHS' plans for meeting its management challenges and the commitment and progress it is making to implement those plans, as we consider whether the transformation of DHS should remain on our high-risk list.

Here are some of the questions that we will be asking. First, will DHS be able to regularly update its strategic plan so that its components and employees, as well as Congress and the American people, can judge its goals and objectives and track its progress?

Second, will it develop an acquisition system that gives its components autonomy to design and procure new systems, while conforming to Federal Acquisition Regulations and the general principles issued by the chief acquisition officer?

And will the CAO and the DHS components exercise enough oversight to ensure they are getting what they need on time and at reasonable prices?

Third, will DHS improve its financial management functions enough to get clean audit opinions and to ensure that it has adequate controls over financial transactions?

Fourth, will DHS create a human capital environment where components have effective workforce plans that are linked to DHS' strategic plan; recruitment, hiring and retention efforts that can ensure a topnotch workforce; a credible and valid performance management system; and employees who judge DHS as a great place to work?

Finally, will DHS have access to and be able to effectively share all the information needed to accomplish its missions? Will it properly safeguard this information?

As I mentioned, one of the prerequisites for getting off of our high-risk list is to demonstrate progress. From our perspective, DHS must be able to document its claims of progress and provide us that documentation, as well as access to the program officials responsible for assuring that progress in a reasonable time.

Almost a year ago, I testified before this subcommittee about our concern with the delays we were experiencing in getting access to needed DHS documents and officials. While I have seen sporadic examples of improved access, DHS has not yet changed its policies and procedures for dealing with us. We are discussing changes

with DHS management officials. I am hopeful, but so far no change.

Mr. Chairman, that concludes my statement. I will be pleased to answer questions.

[The statement of Mr. Rabkin follows:]

PREPARED STATEMENT OF NORMAN J. RABKIN

APRIL 9, 2008

GAO HIGHLIGHTS

Highlights of GAO-08-646T, a testimony before the Subcommittee on Management, Investigations, and Oversight, Committee on Homeland Security, House of Representatives.

*Why GAO Did This Study*

The Department of Homeland Security (DHS) began operations in March 2003 with missions that include preventing terrorist attacks from occurring within the United States, reducing U.S. vulnerability to terrorism, minimizing damages from attacks that occur, and helping the Nation recover from any attacks. GAO has reported that the implementation and transformation of DHS is an enormous management challenge. GAO's prior work on mergers and acquisitions found that successful transformations of large organizations, even those faced with less strenuous reorganizations than DHS, can take at least 5 to 7 years to achieve. This testimony addresses: (1) The progress made by DHS in implementing its management functions; and (2) key issues that have affected the Department's implementation efforts. This testimony is based on GAO's August 2007 report evaluating DHS's progress between March 2003 and July 2007; selected reports issued since July 2007; and GAO's institutional knowledge of homeland security and management issues.

*What GAO Recommends*

While this testimony contains no new recommendations, GAO has made over 900 recommendations to DHS over the past 5 years to strengthen departmental operations. DHS has implemented some of these recommendations and is in the process of implementing others.

DEPARTMENT OF HOMELAND SECURITY: PROGRESS MADE IN IMPLEMENTATION OF MANAGEMENT FUNCTIONS, BUT MORE WORK REMAINS

*What GAO Found*

Within each of its management areas—acquisition, financial, human capital, information technology, and real property management—DHS has made some progress, but has also faced challenges.

- DHS has recognized the need to improve acquisition outcomes and taken some positive steps to organize and assess the acquisition function, but continues to lack clear accountability for the outcomes of acquisition dollars spent. The Department also has not fully ensured proper oversight of its contractors providing services closely supporting inherently government functions.
- DHS has designated a Chief Financial Officer and taken actions to prepare corrective action plans for its internal control weaknesses. However, DHS has been unable to obtain an unqualified audit opinion of its financial statements, and for fiscal year 2007 the independent auditor identified significant deficiencies in DHS's internal control over financial reporting.
- DHS has taken actions to implement its human capital system by, for example, issuing a departmental training plan and human capital operational plan. Among other things, DHS still needs to implement a human capital system linked to its strategic plan, establish a market-based and more performance-oriented pay system, and seek more routine feedback from employees.
- DHS has taken actions to develop information technology management controls, such as developing an information technology human capital plan and developing policies to ensure the protection of sensitive information. However, DHS has not yet fully implemented a comprehensive information security program or a process to effectively manage information technology investments.
- DHS has developed an Asset Management Plan and established performance measures consistent with Federal Real Property standards. However, DHS has yet to demonstrate full implementation of its Asset Management Plan or full use of asset management inventory information.

Various cross-cutting issues have affected DHS's implementation efforts. For example, DHS has not yet updated its strategic plan and put in place structures to help it manage for results.

Accountability and transparency are critical to effectively implementing DHS's management functions. GAO has experienced delays in obtaining access to needed information from DHS, though over the past year, GAO's access has improved. GAO is hopeful that planned revisions to DHS's guidance for working with GAO will streamline our access to documents and officials.

DHS's 5-year anniversary provides an opportunity for the Department to review how it has matured as an organization. As part of our broad range of work, GAO will continue to assess DHS's progress in addressing high-risk issues. In particular, GAO will continue to assess the progress made by the Department in its transformation efforts and whether any progress made is sustainable over the long term.

Mr. Chairman and Members of the subcommittee, I appreciate the opportunity to appear today to discuss the Department of Homeland Security's (DHS) efforts to implement its management functions. DHS began operations in March 2003 with missions that include preventing terrorist attacks from occurring within the United States, reducing U.S. vulnerability to terrorism, minimizing damages from attacks that occur, and helping the Nation recover from any attacks. The Department has initiated and continued the implementation of various policies and programs to address these missions as well as its non-homeland security functions.<sup>1</sup> DHS has also taken a number of actions designed to integrate its management functions and to transform its component agencies into an effective cabinet-level department. Prior to the creation of DHS, we testified on whether the reorganization of government agencies might better address the Nation's homeland security needs.<sup>2</sup> At that time, we identified that the Nation had a unique opportunity to create an effective and performance-based organization to strengthen the Nation's ability to protect its borders and citizens. We noted that the magnitude of the challenges that the new department would face would require substantial time and effort to overcome, and that the implementation of the new department would be extremely complex.

In 2003, we designated the implementation and transformation of DHS as high-risk because it represented an enormous undertaking that would require time to achieve in an effective and efficient manner.<sup>3</sup> We further identified that the components that became part of the Department already faced a wide array of existing challenges, and any failure to effectively carry out its mission would expose the Nation to potentially serious consequences. In designating the implementation and transformation of DHS as high-risk, we noted that building an effective department would require consistent and sustained leadership from top management to ensure the needed transformation of disparate agencies, programs, and missions into an integrated organization. Our prior work on mergers and acquisitions, undertaken before the creation of DHS, found that successful transformations of large organizations, even those faced with less strenuous reorganizations than DHS, can take at least 5 to 7 years to achieve.

In August 2007, we reported on the progress DHS had made since its inception in implementing its management and mission functions.<sup>4</sup> We identified specific actions that DHS was to achieve based on legislation, homeland security presidential directives, DHS strategic planning documents, and other sources, and reported on the progress the Department made in implementing these actions.

My testimony today addresses: (1) The progress made by DHS in implementing its management functions in the areas of acquisition, financial, human capital, information technology, and real property management; and (2) key issues that have affected the Department's implementation efforts. My statement is based on the results of our August 2007 report evaluating the extent to which DHS has achieved congressional and administration expectations set out for them in its management and mission areas; selected products we issued on DHS since July 2007; and our institutional knowledge of homeland security and various government organizational and management issues. For our August 2007 report on DHS progress, we conducted our work from September 2006 to July 2007. In April 2008, we updated this work with selected reports. We conducted our work in accordance with generally accepted government auditing standards. Those standards require that we

<sup>1</sup> Examples of non-homeland security functions include Coast Guard search and rescue and naturalization services.

<sup>2</sup> GAO, *Homeland Security: Critical Design and Implementation Issues*, GAO-02-957T (Washington, DC: July 17, 2002).

<sup>3</sup> GAO, *High-Risk Series: An Update*, GAO-03-119 (Washington, DC: January 2003).

<sup>4</sup> GAO, *Department of Homeland Security: Progress Report on Implementation of Mission and Management Functions*, GAO-07-454 (Washington, DC: Aug. 17, 2007).

plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

#### SUMMARY

DHS has made progress in implementing its management functions in the areas of acquisition, financial, human capital, information technology, and real property management. However, we have identified challenges remaining in each of these areas.

- DHS has made some progress in strengthening its acquisition management functions. For example, DHS has recognized the need to improve acquisition outcomes and taken some positive steps to organize and assess the acquisition function, but continues to lack clear accountability for the outcomes of acquisition dollars spent. The Department also has not fully ensured proper oversight of its contractors providing services closely supporting inherently government functions.
- In the area of financial management, although it has designated a Chief Financial Officer and taken steps to prepare corrective action plans for its internal control weaknesses, DHS has been unable to obtain an unqualified audit opinion on its financial statements, and for fiscal year 2007, the independent auditor issued a disclaimer on DHS's financial statements and identified significant deficiencies—the majority of which were so serious they qualified as material weaknesses—in DHS's internal control over financial reporting. DHS needs to subject all its financial statements to annual audits and correct the identified internal control weaknesses.
- DHS has taken steps to implement its human capital system. For example, in July 2005 DHS issued a departmental training plan and in April 2007 issued its fiscal year 2007 and 2008 Human Capital Operational Plan. However, DHS still needs to implement a human capital system that links to its strategic plan, implement more effective processes to recruit and hire employees with needed skills, establish a market-based and more performance-oriented pay system, seek more routine feedback from employees, and implement its training plan.
- DHS has undertaken efforts to establish various information technology management controls and capabilities. For example, DHS organized information technology management in the Office of the Chief Information Officer, developed an information technology human capital plan that is largely consistent with Federal guidance and best practices, and developed policies and procedures to ensure the protection of sensitive information. However, DHS has not fully implemented a comprehensive information security program. Furthermore, it has not yet fully aligned all of its investments with a comprehensive enterprise architecture or implemented a process to effectively manage its information technology investments.
- In the area of real property management, DHS has developed an Asset Management Plan, developed a generally complete real property data inventory, submitted this inventory for inclusion in the governmentwide real property database, and established performance measures consistent with Federal Real Property standards. However, in August 2007 we reported that DHS had yet to demonstrate full implementation of its asset management plan and full use of asset inventory information and performance measures in management decision-making.

A variety of cross-cutting issues have affected DHS's efforts to implement its management functions. For example, DHS has not issued an updated strategic plan and has not yet fully developed adequate performance measures or put in place structures to help ensure that the agency is managing for results. Accountability and transparency are critical to effectively implementing DHS's management functions. We have experienced delays in obtaining access to needed information from DHS components, though over the past year, our access has improved in certain areas. We are hopeful that planned revisions to its departmental guidance for working with us and its Office of Inspector General (IG) will streamline our access to needed documents and agency officials.

#### BACKGROUND

In July 2002, President Bush issued the National Strategy for Homeland Security. The strategy set forth overall objectives to prevent terrorist attacks within the United States, reduce America's vulnerability to terrorism, and minimize the damage and assist in the recovery from attacks that occur. The strategy further identi-

fied a plan to strengthen homeland security through the cooperation and partnering of Federal, State, local, and private sector organizations on an array of functions. It also specified a number of Federal departments, as well as non-Federal organizations, that have important roles in securing the homeland, with DHS having key responsibilities in implementing established homeland security mission areas. This strategy was updated and reissued in October 2007.

In November 2002, the Homeland Security Act of 2002 was enacted into law, creating DHS. The act defined the Department's missions to include preventing terrorist attacks within the United States; reducing U.S. vulnerability to terrorism; and minimizing the damages, and assisting in the recovery from, attacks that occur within the United States. The act further specified major responsibilities for the Department, including the analysis of information and protection of infrastructure; development of countermeasures against chemical, biological, radiological, and nuclear, and other emerging terrorist threats; securing U.S. borders and transportation systems; and organizing emergency preparedness and response efforts. DHS began operations in March 2003. Its establishment represented a fusion of 22 Federal agencies to coordinate and centralize the leadership of many homeland security activities under a single department.<sup>5</sup>

We have evaluated many of DHS's management functions and programs since the Department's establishment, and have issued over 400 related products. In particular, in August 2007, we reported on the progress DHS had made since its inception in implementing its management and mission functions.<sup>6</sup> We also reported on broad themes that have underpinned DHS's implementation efforts, such as agency transformation, strategic planning, and risk management. Over the past 5 years, we have made over 900 recommendations to DHS on ways to improve operations and address key themes, such as to develop performance measures and set milestones for key programs and implement internal controls to help ensure program effectiveness. DHS has implemented some of these recommendations, taken actions to address others, and taken other steps to strengthen its mission activities and facilitate management integration.

#### DHS HAS MADE PROGRESS IN IMPLEMENTING ITS MANAGEMENT FUNCTIONS, BUT HAS FACED CHALLENGES IN ITS IMPLEMENTATION EFFORTS

DHS has made progress in implementing its management functions in the areas of acquisition, financial, human capital, information technology, and real property management. Overall, DHS has made more progress in implementing its mission functions—border security; immigration enforcement; immigration services; and aviation, surface transportation, and maritime security; for example—than its management functions, reflecting an initial focus on implementing efforts to secure the homeland. DHS has had to undertake these critical missions while also working to transform itself into a fully functioning cabinet department—a difficult undertaking for any organization and one that can take, at a minimum, 5 to 7 years to complete even under less daunting circumstances. As DHS continues to mature as an organization, we have reported that it will be important that it works to strengthen its management areas since the effectiveness of these functions will ultimately impact its ability to fulfill its mission to protect the homeland.

*Acquisition Management.*—DHS's acquisition function includes managing and overseeing nearly \$16 billion in acquisitions to support its broad and complex missions, such as information systems, new technologies, aircraft, ships, and professional services. DHS has recognized the need to improve acquisition outcomes and taken some positive steps to organize and assess the acquisition function, but continues to lack clear accountability for the outcomes of acquisition dollars spent. A common theme in our work on acquisition management is DHS's struggle to provide adequate support for its mission components and resources for departmentwide oversight. DHS has not yet accomplished its goal of integrating the acquisition function across the Department. For example, the structure of DHS's acquisition func-

<sup>5</sup>These 22 agencies, offices, and programs were U.S. Customs Service; U.S. Immigration and Naturalization Service; Federal Protective Service; Transportation Security Administration; Federal Law Enforcement Training Center; Animal and Plant Health Inspection Service; Office for Domestic Preparedness; Federal Emergency Management Agency; Strategic National Stockpile and the National Disaster Medical System; Nuclear Incident Response Team; Domestic Emergency Support Team; National Domestic Preparedness Office; Chemical, Biological, Radiological, and Nuclear Countermeasures Program; Environmental Measures Laboratory; National BW Defense Analysis Center; Plum Island Animal Disease Center; Federal Computer Incident Response Center; National Communications System; National Infrastructure Protection Center; Energy Security and Assurance Program; Secret Service; and U.S. Coast Guard.

<sup>6</sup>GAO-07-454.

tion creates ambiguity about who is accountable for acquisition decisions because it depends on a system of dual accountability and cooperation and collaboration between the Chief Procurement Officer (CPO) and the component heads. In June 2007, DHS officials stated that they were in the process of modifying the lines of business management directive, which exempts the Coast Guard and the Secret Service from complying, to ensure that no contracting organization is exempt.<sup>7</sup> This directive has not yet been revised.

In September 2007, we reported on continued acquisition oversight issues at DHS, identifying that the Department has not fully ensured proper oversight of its contractors providing services closely supporting inherently government functions.<sup>8</sup> The CPO has established a Department-wide program to improve oversight; however, DHS has been challenged to provide the appropriate level of oversight and management attention to its service contracting and major investments, and we continue to be concerned that the CPO may not have sufficient authority to effectively oversee the Department's acquisitions. DHS still has not developed clear and transparent policies and processes for all acquisitions. Concerns have been raised about how the investment review process has been used to oversee its largest acquisitions, and the investment review process is still under revision. We have ongoing work reviewing oversight of DHS's major investments which follows-up on our prior recommendations.<sup>9</sup> Regarding the acquisition workforce, our work and the work of the DHS IG has found acquisition workforce challenges across the Department; we have ongoing work in this area as well.

*Financial Management.*—DHS's financial management efforts include consolidating or integrating component agencies' financial management systems. DHS has made progress in addressing financial management and internal control weaknesses and has designated a Chief Financial Officer, but the Department continues to face challenges in these areas. However, since its establishment, DHS has been unable to obtain an unqualified or "clean" audit opinion on its financial statements. For fiscal year 2007, the independent auditor issued a disclaimer on DHS's financial statements and identified eight significant deficiencies in DHS's internal control over financial reporting, seven of which were so serious that they qualified as material weaknesses.<sup>10</sup> DHS has taken steps to prepare corrective action plans for its internal control weaknesses by, for example, developing and issuing a Department-wide strategic plan for the corrective action plan process and holding workshops on corrective action plans. While these are positive steps, DHS and its components have not yet fully implemented corrective action plans to address all significant deficiencies—including the material weaknesses—identified by previous financial statement audits. According to DHS officials, the Department has developed goals and milestones for addressing these weaknesses in its internal control over financial reporting. Until these weaknesses are resolved, DHS will not be in position to provide reliable, timely, and useful financial data to support day-to-day decisionmaking.

*Human Capital Management.*—DHS's key human capital management areas include pay, performance management, classification, labor relations, adverse actions, employee appeals, and diversity management. DHS has significant flexibility to design a modern human capital management system, and in October 2004 DHS issued its human capital strategic plan. DHS and the Office of Personnel Management jointly released the final regulations on DHS's new human capital system in February 2005. Although DHS intended to implement the new personnel system in the summer of 2005, court decisions enjoined the Department from implementing certain labor management portions of the system. DHS has since taken actions to implement its human capital system. In July 2005 DHS issued its first departmental training plan, and in April 2007, it issued its fiscal year 2007 and 2008 Human Capital Operational Plan. This plan identifies five Department priorities—hiring and retaining a talented and diverse workforce; creating a DHS-wide culture of perform-

<sup>7</sup> GAO, *Department of Homeland Security: Progress and Challenges in Implementing the Department's Acquisition Oversight Plan*, GAO-07-900 (Washington, DC: June 13, 2007).

<sup>8</sup> GAO, *Department of Homeland Security: Improved Assessment and Oversight Needed to Manage Risk of Contracting for Selected Services*, GAO-07-990 (Washington, DC: Sept. 17, 2007).

<sup>9</sup> GAO, *Homeland Security: Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization*, GA0-05-179 (Washington, DC: Mar. 29, 2005).

<sup>10</sup> A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

ance; creating high-quality learning and development programs for DHS employees; implementing a DHS-wide integrated leadership system; and being a model of human capital service excellence. DHS has met some of the goals identified in the plan, such as developing a hiring model and a communication plan. However, more work remains for DHS to fully implement its human capital system. For example, DHS has not yet taken steps to fully link its human capital planning to overall agency strategic planning nor has it established a market-based and more performance-oriented pay system. DHS has also faced difficulties in developing and implementing effective processes to recruit and hire employees. Although DHS has developed its hiring model and provided it to all components, we reported in August 2007 that DHS had not yet assessed components' practices against the model.<sup>11</sup> Furthermore, employee morale at DHS has been low, as measured by the results of the 2006 U.S. Office of Personnel Management Federal Human Capital Survey. DHS has taken steps to seek employee feedback and involve them in decisionmaking by, for example, expanding its communication strategy and developing an overall strategy for addressing employee concerns reflects in the survey results. In addition, although DHS has developed a Department-level training strategy, it has faced challenges in fully implementing this strategy.

*Information Technology Management.*—DHS's information technology management efforts should include:

- Developing and using an enterprise architecture, or corporate blueprint, as an authoritative frame of reference to guide and constrain system investments;
- Defining and following a corporate process for informed decision-making by senior leadership about competing information technology investment options;
- Applying system and software development and acquisition discipline and rigor when defining, designing, developing, testing, deploying, and maintaining systems;
- Establishing a comprehensive, Department-wide information security program to protect information and systems;
- Having sufficient people with the right knowledge, skills, and abilities to execute each of these areas now and in the future; and,
- Centralizing leadership for extending these disciplines throughout the organization with an empowered Chief Information Officer.

DHS has undertaken efforts to establish and institutionalize the range of information technology management controls and capabilities noted above that our research and past work have shown are fundamental to any organization's ability to use technology effectively to transform itself and accomplish mission goals. For example, DHS has organized roles and responsibilities for information technology management under the Chief Information Officer. DHS has also developed an information technology human capital plan that is largely consistent with Federal guidance and associated best practices. In particular, we reported that the plan fully addressed 15 and partially addressed 12 of 27 practices set forth in the Office of Personnel Management's human capital framework. However, we reported that DHS's overall progress in implementing the plan had been limited. With regard to information technology investment management, DHS has established a management structure to help manage its investments. However, DHS has not always fully implemented any of the key practices our information technology investment management framework specifies as being needed to actually control investments. Furthermore, DHS has developed an enterprise architecture, but we have reported that major DHS information technology investments have not been fully aligned with DHS's enterprise architecture. In addition, DHS has not fully implemented a comprehensive information security program. While it has taken actions to ensure that its certification and accreditation activities are completed, the Department has not shown the extent to which it has strengthened incident detection, analysis, and reporting and testing activities.

*Real Property Management.*—DHS's responsibilities for real property management are specified in Executive Order 13327, "Federal Real Property Asset Management," and include the establishment of a Senior Real Property Officer, development of an asset inventory, and development and implementation of an asset management plan and performance measures. In June 2006, the Office of Management and Budget upgraded DHS's Real Property Asset Management Score from red to yellow after DHS developed an Asset Management Plan, developed a generally complete real property data inventory, submitted this inventory for inclusion in the governmentwide real property inventory database, and established performance measures consistent with

<sup>11</sup> GAO-07-454.



Federal Real Property Council standards.<sup>12</sup> DHS also designated a Senior Real Property Officer. However, in August 2007 we reported that DHS had yet to demonstrate full implementation of its asset management plan and full use of asset inventory information and performance measures in management decisionmaking.<sup>13</sup>

#### CROSS-CUTTING ISSUES HAVE HINDERED DHS'S IMPLEMENTATION EFFORTS

Our work has identified various cross-cutting issues that have hindered DHS's progress in its management areas. We have reported that while it is important that DHS continue to work to strengthen each of its core management functions, it is equally important that these key issues be addressed from a comprehensive, Department-wide perspective to help ensure that the Department has the structure and processes in place to effectively address the threats and vulnerabilities that face the Nation. These issues include agency transformation, strategic planning and results management, and accountability and transparency.

*Agency Transformation.*—In 2007 we reported that DHS's implementation and transformation remained high-risk because DHS had not yet developed a comprehensive management integration strategy and its management systems and functions especially related to acquisition, financial, human capital, and information technology management were not yet fully integrated and wholly operational.<sup>14</sup> We have recommended, among other things, that agencies on the high-risk list produce a corrective action plan that defines the root causes of identified problems, identifies effective solutions to those problems, and provides for substantially completing corrective measures in the near term. Such a plan should include performance metrics and milestones, as well as mechanisms to monitor progress. In March 2008 we received a draft of DHS's corrective action plan and have provided the Department with some initial feedback. We will continue to review the plan and expect to be able to provide additional comments on the plan in the near future.

*Strategic Planning and Results Management.*—DHS has not always implemented effective strategic planning efforts, has not yet issued an updated strategic plan, and has not yet fully developed adequate performance measures or put into place structures to help ensure that the agency is managing for results. DHS has developed performance goals and measures for some of its programs and reports on these goals and measures in its Annual Performance Report. However, some of DHS's components have not developed adequate outcome-based performance measures or comprehensive plans to monitor, assess, and independently evaluate the effectiveness of their plans and performance. Since issuance of our August 2007 report, DHS has begun to develop performance goals and measures for some areas in an effort to strengthen its ability to measure its progress in key management and mission areas. We commend DHS's efforts to measure its progress in these areas and have agreed to work with the Department to provide input to help strengthen established measures.

*Accountability and Transparency.*—Accountability and transparency are critical to the Department effectively integrating its management functions and implementing its mission responsibilities. We have reported that it is important that DHS make its management and operational decisions transparent enough so that Congress can be sure that it is effectively, efficiently, and economically using the billions of dollars in funding it receives annually.<sup>15</sup> We have encountered delays at DHS in obtaining access to needed information, which have impacted our ability to conduct our work in a timely manner. Since we highlighted this issue last year to this subcommittee, our access to information at DHS has improved. For example, TSA has worked with us to improve its process for providing us with access to documentation. DHS also provided us with access to its national level preparedness exercise. Moreover, in response to the provision in the DHS Appropriations Act, 2008, that restricts a portion of DHS's funding until DHS certifies and reports that it has revised its guidance for working with GAO.<sup>16</sup> DHS has provided us with a draft version of its revised guidance. We have provided DHS with comments on this draft and look forward to continuing to collaborate with the Department.

<sup>12</sup>The administration's agency scorecard for real property management was established in fiscal year 2004 to measure each agency's progress in implementing Executive Order 13327 on "Federal Real Property Asset Management."

<sup>13</sup>GAO-07-454.

<sup>14</sup>GAO, *High-Risk Series: An Update*, GAO-07-310 (Washington, DC: January 2008).

<sup>15</sup>GAO-07-454.

<sup>16</sup>Consolidated Appropriations Act, 2008, Pub. L. No. 110-161, Div. E, 121 Stat. 1844, 2042 (2007) (requiring further that DHS define in a memorandum to its employees the roles and responsibilities of the DHS IG).

## CONCLUDING OBSERVATIONS

DHS is now 5 years old, a key milestone for the Department. Since its establishment, DHS has had to undertake actions to secure the border and the transportation sector and defend against, prepare for, and respond to threats and disasters while simultaneously working to transform itself into a fully functioning cabinet department. Such a transformation is a difficult undertaking for any organization and can take, at a minimum, 5 to 7 years to complete even under less daunting circumstances.

Nevertheless, DHS's 5-year anniversary provides an opportunity for the Department to review how it has matured as an organization. As part of our broad range of work reviewing DHS management and mission programs, we will continue to assess in the coming months DHS's progress in addressing high-risk issues. In particular, we will continue to assess the progress made by the Department in its transformation and information sharing efforts, and assessing whether any progress made is sustainable over the long term. Further, as DHS continues to evolve and transform, we will review its progress and performance and provide information to Congress and the public on its efforts.

This concludes my prepared statement. I would be pleased to answer any questions you and the subcommittee Members may have.

Mr. CARNEY. Thank you for your testimony.

I now recognize Mr. Ervin, to summarize his statement, for 5 minutes.

**STATEMENT OF CLARK KENT ERVIN, DIRECTOR, HOMELAND SECURITY PROGRAM, THE ASPEN INSTITUTE**

Mr. ERVIN. Thank you very much, Mr. Chairman and Mr. Rogers, for inviting me to testify today.

Certainly, the Department has made some progress in its initial 5 years in becoming more efficient, more economical and more effective. But no one argue with the proposition that DHS still has far to go.

There are any number of things that can and should be done to improve DHS' organizational managerial performance, but since time is limited, let me highlight just a few.

First, part of the reason the Department has been less than the sum of its parts is that key legacy agencies retain considerable autonomy over their own finances, information technology networks, and procurement systems. This promotes duplication, a lack of interoperability and other inefficiencies, and it works against the goal of integrating DHS' disparate parts into a cohesive whole.

The Department's chief procurement officer, chief financial officer, and chief information officer do not control—which is to say, have the power to hire, fire, and set the budget of—their counterparts at TSA, FEMA, ICE, CBP, and the Coast Guard.

Instead, these critical administrative personnel at the component level are controlled by their respective component heads. With a pen stroke, the new secretary could, and in my judgment, should change this.

Second, controls should be put in place to ensure that no more precious contract dollars are wasted. A new secretary should, for example, forbid the use by procurement officers of no-bid contracts. Such contracts, it seems to me, are never justified.

Even if procurement officers are certain that only one contractor can satisfy particular requirements, there is no harm in opening the contract for bid. Perhaps there are other, previously unknown, contractors who can supply the good or service equally well and at lesser cost.

Further, there should be incentives built into every contract for good performance—which is to say, timeliness, staying within budget, and delivering the promised result—and penalties, financial or otherwise, including, under appropriate circumstances, criminal prosecution, for consistently poor performance.

Contractors who consistently miss the mark should be barred for a period of time from bidding on new contracts, and to counter the corrupting influence of the revolving door, bids from former DHS insiders should be disfavored, other things being equal.

DHS should not allow contractors to determine its contract requirements, as it has done repeatedly. If contractors are allowed to tell customers what they want and need, chances are the customer will wind up with something it neither wants nor needs.

Furthermore, while the number of procurement officials has been increased, it should be increased still further. While, of course, no government agency can ever match private sector salaries, congressional authority should be sought by DHS to pay hefty bonuses and to offer other attractive benefits so as to narrow the gap as much as possible between private sector procurement experts and DHS ones.

Competent and experienced DHS contracting officers in sufficient numbers are, of course, critical to ensuring that contracts are structured and managed in a way that most benefits the taxpayer.

While the Department has too few employees managing contractors, it has too many contractors essentially managing it. Indeed, the job of some contractors at DHS is to oversee other contractors.

In short, to ensure that the sole interest in mind is that of the taxpayer, the Department should have more employees and fewer contractors. Contractors should not be performing inherently governmental functions, and no function is more inherently governmental than overseeing other contractors.

Finally, the new secretary should make a conspicuous point of urging all personnel to cooperate fully with the inspector general and with the comptroller general with regard to inspections, audits, and investigations by those offices, and there should be consequences for personnel who fail to do so, up to and including, under appropriate circumstances, termination.

On a regular basis, but no less frequently than quarterly, the new secretary himself or herself should meet with the IG and the comptroller general to be personally apprised of important findings and to monitor the Department's progress—or lack thereof—toward implementing their respective recommendations.

The IG and the comptroller general should not be viewed as pests or antagonists, but as management consultants, indispensable ones, who are full partners in making the Department operate as efficiently, economically and effectively as possible.

Thank you very much, and I look forward to your questions.

[The statement of Mr. Ervin follows:]

PREPARED STATEMENT OF CLARK KENT ERVIN

APRIL 9, 2008

Thank you very much, Mr. Chairman and Members for inviting me to testify today before the subcommittee on the topic, "Moving Beyond the First Five Years: Solving the Department of Homeland Security's Management Challenges."

Certainly, the Department has made some progress in its initial 5 years in becoming more efficient, more economical, and more effective. But, no one would argue with the proposition that DHS still has far to go. With a new administration less than a year away, now is an appropriate time to consider what the Department's next steps should be on the necessarily long journey toward optimal performance.

There are any number of things that can and should be done to improve DHS' organizational performance. But, since time is limited, let me highlight only a few.

First, part of the reason the Department has been less than the sum of its parts is that key legacy agencies retain considerable autonomy over their own finances, information technology networks, and procurement systems. This promotes duplication, a lack of interoperability and other inefficiencies, and it works against the goal of integrating DHS' disparate parts into a cohesive whole. The Department's Chief Procurement Officer, Chief Financial Officer, and Chief Information Officer do not control (i.e., have the power to hire, fire, and set the budget of) their counterparts at TSA, FEMA, ICE, CBP, and the Coast Guard. Instead, these critical administrative personnel at the component level are controlled by their respective component heads. With a pen stroke, the new Secretary can and should change this.

Second, controls should be put in place to ensure that no more precious contract dollars are wasted. The new Secretary should, for example, forbid the use by procurement officers of no-bid contracts. Such contracts are never justified. Even if procurement officers are certain that only one contractor can satisfy particular requirements, there is no harm in opening the contract for bid. Perhaps there are other, previously unknown, contractors who can supply the good or service equally well and at lesser cost. Further, there should be incentives built into every contract for "good" performance (i.e., timeliness, staying within budget, and delivering the promised result), and penalties (financial or otherwise, including, under appropriate circumstances, criminal prosecution) for poor performance. Contractors who consistently miss the mark should be barred for a period of time from bidding on new contracts. To counter the corrupting influence of the "revolving door," bids from former DHS insiders should be disfavored, other things being equal. DHS should not allow contractors to determine its contract requirements, as it has done repeatedly. If contractors are allowed to tell customers what they want and need, chances are the customer will wind up with something it neither wants nor needs.

Furthermore, the number of procurement officials should be increased significantly. While no government agency can ever match private sector salaries, congressional authority should be sought by DHS to pay hefty bonuses and to offer other attractive benefits so as to narrow the gap as much as possible between private sector procurement experts and DHS ones. Competent and experienced DHS contracting officers in sufficient numbers are critical to ensuring that contracts are structured and managed in a way that most benefits the taxpayer.

While the Department has too few employees managing contractors, it has too many contractors essentially managing it. Last spring, the Chairman of the House Committee on Oversight and Government Reform said that DHS leaders conceded to him at a hearing that they had "no idea" how many contractors work for the Department. (That might be a good question to pose to our Department witnesses today.) The GAO has chided DHS for contracting out "inherently governmental" functions, and no wonder. As The Washington Post put it in an article last October, "At the Department of Homeland Security, contract employees help write job descriptions for new headquarters workers. Private contractors also sign letters that officially offer employment. And, they meet new hires on the first day of the job. About the only thing they do not do is swear-in DHS employees." Indeed, the job of some contractors at DHS is to oversee other contractors. In short, to ensure that the sole interest in mind is that of the taxpayer, the Department should have more employees and fewer contractors. Contractors should not be performing inherently governmental functions, and no function is more "inherently governmental" than overseeing other contractors.

Finally, the new Secretary should make a conspicuous point of urging all personnel to cooperate fully with all Inspector General and GAO inspections, audits, and investigations, and there should be consequences for personnel who fail to do so, up to and including, under appropriate circumstances, termination. On a regular basis, but no less frequently than quarterly, the Secretary himself/herself should meet with the IG and the Comptroller General to be personally apprised of important findings and to monitor the Department's progress (or lack thereof) toward implementing their respective recommendations. The IG and the Comptroller General should not be viewed as pests or antagonists, but as management consultants, indispensable ones, who are full partners in making the Department operate as effectively, efficiently, and economically as possible.

Thank you, again, for your invitation today, and I look forward to your questions.

Mr. CARNEY. I thank you for your testimony.

I now recognize Dr. Carafano, to summarize his statement, for 5 minutes.

**STATEMENT OF JAMES JAY CARAFANO, SENIOR RESEARCH FELLOW IN DEFENSE AND HOMELAND SECURITY, THE HERITAGE FOUNDATION**

Mr. CARAFANO. So the Final Four is over, the right team won—but more importantly, I want to talk about the Final Five, which is what I think should be a subject for the committee, which are the five priorities I think are absolutely essential for moving the Department forward.

Three of them are immediate, short-term things that should be run right now, and two of them, I think, are long-term projects in which I think that committee could play a significant leadership role.

No. 1, and absolutely I think the most single and vital important thing is consolidation of oversight of the Department under the Homeland Security Committee. This is often said, but we don't focus often enough on why this is essential.

It is not that people have to run around and testify before dozens of different committees. Homeland security is fundamentally a risk-based process. It is a holistic, strategic process, and that cannot be done when you have multiple forces pulling in multiple directions.

The problem is every committee is going to define risk and define priorities to suits its own interests, and you don't have that holistic look.

The only way—if everything is a priority, if nothing is a priority—until we have consolidation of oversight and responsibility in single committees in the House and the Senate, we are never going to have the Homeland Security Department function in the manner that the Defense Department functions, and that is going to put the Nation at risk.

Second, and I think equally important, is there is an awful lot of work to be done in oversight. The authorization bill is absolutely, I think, the right instrument to do that. Again, I think that is a lesson learned from the Department of Defense.

I think this committee's work, for example, on procurement and contracting is a perfect example, and an authorization type measure is exactly the kind of vehicle you would use to kind of institute the kind of leadership from the Congress that you want in these matters.

I have got a book coming out in September called "Private Sector, Public Works", looking at contracting. Primarily the Defense Department in Iraq and Afghanistan, the fundamental conclusion of the book is where there are large, significant problems, it is usually because the government simply is not a very good customer.

It is simply when you go to the bench and look at the depth of the contracting force, the management tools that they have, they are simply not there. So again, an authorization measure I think is the absolute best instrument to do that.

The third—all the debate about Iraq aside—it is time for a strategic pause. DHS has not been through one major organization. It has been through three. We had the initial organization, which was

I think we would all admit now a deeply flawed structure in the initial enabling legislation.

Secretary Chertoff initiated a second major series of reforms, and then even before those had fully taken hold, Congress over the last 18 months has instituted what really constitutes a third great wave of reform, so that there is simply far too much turmoil in the Department structure to warrant a major reorganization at this point.

I would further argue that, because the Department now has the obligation of doing a quadrennial security review, I think that review should be the fundamental tool for the Congress and the Department to dialog on the way forward.

That review comes out in 2009, and if there is a lesson that we could learn from where the QDR, the Quadrennial Defense Review, has gone wrong, it is that it shouldn't be a report that is dumped on your desk.

There should be an ongoing dialog, starting right now, with the Department and the committees about understanding that document, what is going to be in it, how you are going to talk about it and how you are going to move forward. I think that document should really be the basis for the move forward.

So if there is one overwhelming recommendation I would give today, it is how the dialog now about the QSR—make the QSR a dialog and a process, and not just a report.

Very quickly, two long-term projects. I think, No. 1, that the real gains are not going to be really made through further—there are going to be improvements, reorganization of the Department, but we really need to look at the national homeland security enterprise.

We are working together with the Center for Strategic International Studies, doing a report called "Homeland Security 3.0." We have identified areas where nationally we as a country can and should do better.

While, again, that would be far beyond the purview of this committee, I think this committee can play a real leadership role in the national discussion of where we need to go next. We hope to have that report done in September, and we would love to come back and talk to you about that.

The last thing I will mention very quickly is, again, the bigger bang for the buck is actually going to be outside the Department, not just in terms of being part of the national homeland security enterprise, but being part of an effective Federal interagency team.

So many of the areas where we really want substantive improvement, things that are really important, like catastrophic disaster response, it is an interagency mission, and I think that will be a big part of the dialog in the year ahead.

Just to finish up, I would say that I don't think we need to throw away the Constitution. I don't think we need to reorganize the Federal Government to achieve effective interagency operations.

I think there is a model building through professional development and a combination of education, assignment and accreditation, where we can build the kind of workforce that can provide us the integrated solutions that we really want from our Federal Government.

Thank you very much, Mr. Chairman.

[The statement of Mr. Carafano follows:]

PREPARED STATEMENT OF JAMES JAY CARAFANO

APRIL 9, 2008

My name is Dr. James Jay Carafano. I am the Assistant Director of the Kathryn and Shelby Cullom Davis Institute for International Studies and a Senior Research Fellow for the Douglas and Sarah Allison Center for Foreign Policy Studies at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Thank you for the opportunity to appear before the committee today to discuss the subject of this hearing, "Moving Beyond the First Five Years: Solving the Department of Homeland Security's Management Challenges." I would like to raise with the committee three immediate priorities for Congress to tackle, as well as two long-term challenges that should be among the first priorities of the next administration.

The three immediate priorities are:

- Consolidating Congressional oversight of the Department of Homeland Security (DHS);
- Passing homeland security authorization legislation to better structure the Department's oversight role; and
- Restraining further major organizational changes within the Department.

Two long-term projects for Congress and the next administration to undertake must include:

- Establishing the national homeland security enterprise; and
- Improving Federal interagency operations.

#### 1. PUT FIRST THINGS FIRST—CONSOLIDATE CONGRESSIONAL OVERSIGHT OF THE DEPARTMENT OF HOMELAND SECURITY

Arguably, many of the most significant challenges in effectively managing DHS have resulted from disparate and, at times, contradictory direction from Congress. This has resulted in a plethora of unrealistic mandates and endless tinkering by various congressional committees. Therefore, the first and most productive objective should be to address the lack of effective congressional leadership.

Congress has failed to consolidate jurisdiction of DHS under one committee in each chamber as recommended by the 9/11 Commission Report. Homeland Security Department officials report to a plethora of committees that offer conflicting and competing guidance. Committees continue to tinker with the Department, moving offices and adding missions. Committees other than the homeland security committees still retain jurisdiction over major parts of the Department, including the Coast Guard. Consolidating jurisdiction in a single committee in each chamber will resolve these and other coordination problems.

#### 2. PASS A HOMELAND SECURITY AUTHORIZATION BILL

Congress not only needs to reform the structure of its oversight but its form as well. Next to defense, arguably the most important congressional responsibility is ensuring that the Federal Government has the resources and guidance needed to fulfill its domestic security role. Congress created the Department of Homeland Security in 2002; however, it has yet to pass a homeland security authorization bill—an inexcusable shortfall.

To its credit, the House Committee on Homeland Security has drafted authorization legislation every year since the Department's inception, but the measure has never been taken up by the Senate. Congress must make it a priority to improve and pass DHS authorization legislation.

The United States is waging a long battle against transnational terrorism. Congress must pay consistent and close attention to homeland security through the authorization process. Passing an annual authorization bill and further consolidating jurisdiction over DHS would show that Congress takes its responsibilities seriously.

Priorities for the authorization measure should be to:

- Ensure the completion of requirements established in the Homeland Security Act of 2002;
- Complete reforms of the secretariat articulated in the Secretary's Second Stage Review; and
- Reconsider the plethora of operational mandates imposed on the Department.

*Build a State-Based Regional Response Network.*—An authorization bill could well begin by addressing fundamental requirements for DHS first established in its ena-

bling legislation. One area in which Congress could speak is on the lack of DHS follow-through in establishing a cooperative State-based regional response network. Such a network is an essential next step in building the kind of national security enterprise the Nation needs.<sup>1</sup>

The rationale for a stronger cooperative regional network based on the States rather than Washington is based on the nature of national disaster response. On average, the Federal Government needs 72 hours to marshal national resources in response to an incident that has surpassed a State's response capacity.

Usually, a 72-hour delay is not a problem. State and local governments manage most of the responders that arrive immediately at a disaster scene and, in most circumstances, have the critical assets needed to carry themselves through the first 3 days. This was largely the case even during terrorist attacks, such as the bombing of the Alfred P. Murrah Federal Building in Oklahoma City and both attacks on the World Trade Center in New York City. On the other hand, when catastrophic disasters overwhelm State and local governments at the outset, as in the aftermath of Hurricane Katrina, the 72-hour buffer disappears, and any delays in a coordinated Federal, State, and local response have serious consequences.

Better planning at a regional level could prevent such shortfalls in disaster response. Such efforts should take the form of State-based regional programs that focus on ensuring that States are prepared to sustain themselves and that facilitate cooperation among Federal, State, and local efforts. In the Homeland Security Act of 2002, Congress mandated that the Department of Homeland Security set up a regional structure—though the Department did follow through on this mandate. Such a structure that coordinates and collaborates with State-based regional programs could help to close the 72-hour gap.

State-based regional programs would focus on ensuring that States are prepared to sustain themselves. Through regional programs, States could learn the capabilities of their partnering States and quickly tap or merge resources as needed. Most recent writing on the development of regional plans, programs, and entities provides for a top-down approach in which the Federal Government heads the effort. However, a top-down approach may lead to many of the same problems that have occurred during the past few years, such as the potential marginalization of the States by the Federal Government in emergency planning and response and an overall lack of situational awareness about particular State nuances.

Successful regional programs would focus not on Federal structures in each region, but rather on regional emergency management programs and capabilities that are developed, coordinated, and managed by the States. Similar small-scale programs that use a regional model, such as the Emergency Management Assistance Compact (EMAC), have already proven successful. The regional program developed below expands on the idea and focus of EMAC.

DHS regional offices should be required to strengthen State and local preparedness capabilities; facilitate regional cooperation among governments, the private sector, and non-governmental organizations; and plan and exercise with Federal entities that support regional disaster response. Such offices would enable regions to access and integrate their capabilities quickly and improve preparedness.

DHS regional offices would have four key missions:

- Facilitating regional planning,
- Organizing regional exercises, training, and doctrine and professional development,
- Helping States and local communities to prepare for catastrophic events, and
- Coordinating critical infrastructure protection.

*Establish an Under Secretary for Homeland Security.*—Chief among the findings in the Second Stage Review was the importance of establishing a secretariat with the capacity of overseeing the Department's many activities. One of the most important requirements identified in the review remains unfulfilled—establishing an Under Secretary for Policy and Planning.

Since the Department of Homeland Security was created, many have come to recognize that the agency needs a high-level, high-powered office to develop policies that bind the more than 22 Federal entities consolidated within the Department, to coordinate with other Federal agencies, and to manage international affairs for

<sup>1</sup>For more information on setting up DHS regional offices, see The Heritage Foundation and The George Washington University Homeland Security Policy Institute Task Force, "Empowering America: A Proposal for Enhancing Regional Preparedness," Heritage Foundation *Special Report* No. 6, April 7, 2006, at [www.heritage.org/Research/HomelandDefense/SR06.cfm](http://www.heritage.org/Research/HomelandDefense/SR06.cfm); and Jill D. Rhodes and James Jay Carafano, "State and Regional Responses to Disasters: Solving the 72-Hour Problem" Heritage Foundation *Background* No. 1962, August 21, 2006, at [www.heritage.org/Research/HomelandSecurity/bg1962.cfm#\\_ftn2](http://www.heritage.org/Research/HomelandSecurity/bg1962.cfm#_ftn2).



the Department. Congress has yet to authorize an under secretary for the Department to supervise these activities.

This shortfall is inexcusable. The policy and planning requirements of the Department have proven broad in scope and vital in execution, from managing affairs overseas to attending to the needs of State and local governments and the private sector. Particularly important is the imperative of completing comprehensive national disaster planning. Six years after September 11, 2001, the Federal Government still lacks a comprehensive regime for planning and preparing for large-scale disasters.

In part, this shortfall is the product of an inadequate interagency process, the means by which Federal agencies organize and cooperate with one another and their partners in State and local government and the private sector. Fixing the problem will require renewed vigor from the administration in setting clear policy guidelines, particularly in implementing a National Exercise Program, emphasizing the priority of interagency disaster preparedness for the National Planning Scenarios, and improving professional development.<sup>2</sup> Accomplishing these tasks requires the leadership of a homeland security department leader with suitable rank and scope of responsibility.

*Rethink Container Security Mandate.*—Finally, Congress should begin to systematically review some of its most impractical mandates. In 2006, Congress mandated the Secured Freight Initiative to test the efficacy of inspecting 100 percent of shipping containers coming from overseas for terrorist threats. The current system, set by the Container Security Initiative, scans only “high-risk” containers. In 2007, Congress proceeded to mandate 100 percent inspection even before the tests had started. This shortfall should be addressed in authorization legislation.

Congress should establish an independent, bipartisan commission to study the results of the Secure Freight Initiative and the mandate for 100 percent screening of shipping containers and air cargo. This commission should assess the likely threats and look into alternatives for securing global supply chains. The commission should report its findings after the 2008 Presidential elections. Congress could then return to the issue in early 2009 with the politics of the election behind it. Based on the results of the commission’s recommendations, Congress should then modify the 100 percent mandate so that U.S. policy bolsters security and prosperity equally well.

### 3. END UNWARRANTED RESTRUCTURING

One of the most troubling practices of Congress has been to periodically impose reorganization mandates on DHS. The constant turmoil imposed on the Department of Homeland Security has adversely affected operations distracted the leadership, and slowed the process of establishing effective processes and procedures. The first priority of Congress should be to end unwarranted tinkering.

Particularly problematic are continuing calls to move the Federal Emergency Management Agency (FEMA) out of the Department. Such proposals misread the lessons of Katrina and fail to comprehend the true nature of the Federal role in disaster response.<sup>3</sup> Moving FEMA out of the Department or any other major restructuring at this time would only further slow the development of the Department as an effective organization. At the very least, Congress should impose a moratorium on restructuring or rethinking the Department’s roles and missions until after the Department delivers and Congress deliberates on the first Quadrennial Security Review.

Beyond the short-term priorities of consolidating congressional jurisdiction; establishing authorization legislation; and refraining from restructuring the Department, Congress should begin to look to the long-term demands of homeland security. Here there are two areas worthy of attention: (1) Establishing a national homeland security enterprise; and (2) improving interagency operations.

#### HOMELAND SECURITY 3.0

For future improvements to homeland security, Congress should look not primarily to the Department or even to the Federal Government. Congress should increasingly turn its attention to the national homeland security enterprise, which includes every level of government, every community, and the private sector.

<sup>2</sup> For recommendations see, Matt A. Mayer and James Jay Carafano, “National Disaster Planning Slowed by Inadequate Interagency Process,” Heritage Foundation *Background* No. 2079, October 24, 2007, at [www.heritage.org/Research/HomelandDefense/bg2079.cfm](http://www.heritage.org/Research/HomelandDefense/bg2079.cfm).

<sup>3</sup> See James Jay Carafano and Matt A. Mayer, “FEMA and Federalism: Washington Is Moving in the Wrong Direction,” Heritage Foundation *Background* No. 2032, May 8, 2007, at [www.heritage.org/Research/HomelandDefense/bg2032.cfm](http://www.heritage.org/Research/HomelandDefense/bg2032.cfm); and James Jay Carafano, “Improving the National Response to Catastrophic Disaster,” Heritage Foundation *Testimony*, September 15, 2005, at [www.heritage.org/Research/HomelandSecurity/tst091505a.cfm](http://www.heritage.org/Research/HomelandSecurity/tst091505a.cfm).

Working together with the Center for Strategic and International Studies (CSIS), the Heritage Foundation has convened a working group to examine the priorities for improving the overall state of homeland security. We have identified five areas that require particular attention. They include:

- *Domestic Intelligence*.—Six years after 9/11, the United States has yet to fully articulate a concept for domestic intelligence that completely addresses 21st century threats; the promise of modern technology; and the demands of protecting the rights of our citizens.
- *Human Capital*.—At every level of governance and throughout the private sector the Nation needs a corps of individuals with the skills, knowledge, and attributes required to fulfill the complex duties associated with ensuring domestic security, facilitating economic growth, and protecting individual liberty.
- *Community Preparedness*.—The best preparation for disasters is facilitating a culture of preparedness that empowers and enables individuals and communities to take care of themselves during disaster rather than becoming increasingly dependent on Washington for direction and resources.
- *Resiliency*.—Critical infrastructure protection has become an increasingly expensive and unsuitable concept for ensuring the continued delivery of goods and services in the face of terrorist threats. U.S. policies would be better served by moving toward a strategy relying on counterterrorism measures to thwart attacks, while focusing on the resiliency of infrastructure, and the capacity to continue to provide services or quickly recover in the event of a terrorist attack.
- *International Cooperation*.—Homeland security is a global mission. From securing the border to protecting global supply chains, virtually every aspect of preventing terrorist attacks has an international dimension that requires the United States to work effectively with friends and allies.

The CSIS-Heritage Foundation task force plans to provide specific recommendations in each of these areas in their report that will be released in September. I look forward to the opportunity to brief the Congress on their findings.

*Team Washington*.—The very rationale for creating the Department of Homeland Security—the imperative of integrating the many agencies and activities that bear on domestic security—highlights one of Washington’s greatest enduring shortfalls, one that could well be addressed by the next administration. In meeting complex challenges that transcend the core competencies of a single department, government does a mediocre job in marshalling all the resources required. Washington can do better—and homeland security would be good place to start.

Even after the consolidation of roles and missions in the Department, many of the essential tasks undertaken by the Federal homeland security enterprise rest with other departments. Ensuring all these agencies work together more effectively would be a responsible goal for the transition.

The Departments of Homeland Security, Defense, Health, State, and Justice, as well as the other government agencies that bear responsibility for elements of the homeland security enterprise, each have separate and unique capabilities, budgets, cultures, operational styles, and congressional oversight committees. They even operate under different laws. Getting them all organized during times of crisis and after disasters can be like herding cats. For meeting the dangers of the 21st century, interagency operations will be more important than ever.

#### LEAVE THE CONSTITUTION ALONE

The pressing demand for interagency reform does not require that the Federal Government be reorganized. There is nothing wrong with the underlying principles of American governance. Especially essential are the Constitutional “checks and balances” that divide Federal power between the executive, legislative, and judicial branches. This division entails not only sharing responsibility within and among the branches of government but ensuring accountability and transparency in the act of governing. Shortcutting, circumventing, centralizing, undermining, or obfuscating Constitutional responsibilities does not make democratic government work better.

Respecting the principle of federalism is also imperative. Embodied in the U.S. Constitution, the imperatives of limited government and federalism give citizens and local communities the greatest role in shaping their own lives. The 10th Amendment states that “powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.” In matters relating to their communities, local jurisdictions and individuals have the preponderance of authority and autonomy. This makes sense: The people closest to the problem are the ones best equipped to find its solution.

## REPEATING HISTORY

Washington's efforts at pulling together routinely fall short for the same reasons. For its part, Washington can certainly do better—in large measure simply by improving interagency operations. For in the long history of interagency operations, the same problems spring up again and again.<sup>4</sup>

*Reason 1: Government undervalues individuals.*—Human capital refers to the stock of skills, knowledge, and attributes resident in the workforce. Throughout its history, Washington has paid scant attention to recruiting, training, exercising, and educating people to conduct interagency operations. Thus, at crucial moments, success or failure often turns on happenstance—whether the right people with the right talents just happen to be at the right job.

*Reason 2: Washington lacks the lifeline of a guiding idea.*—Doctrine is a body of knowledge for guiding joint action. Good doctrine does not tell people what to think, but it guides them in how to think—particularly in how to address complex, ambiguous, and unanticipated challenges when time and resources are both hard-pressed. Unfortunately, throughout our Nation's history, government has seldom bothered to exercise anything worthy of being called interagency doctrine. The response to Katrina offers a case in point. The U.S. Government had the equivalent of a doctrine in the form of the National Response Plan. Unfortunately, it had been signed only months before the disaster and was barely practiced and little understood when disaster struck.

*Reason 3: Process cannot replace people.*—At the highest levels of government, no organizational design, institutional procedures, or legislative remedy has proved adequate to overcome poor leadership and combative personalities. Presidential leadership is particularly crucial to the conduct of interagency operations. During the course of history, presidents have had significant flexibility in organizing the White House to suit their personal styles. That is all for the best. After all, the purpose of the presidential staff is to help presidents lead, not tell them how to lead. Leadership from Congress, especially from the committee chairs, is equally vital. There is no way to gerrymander the authorities of the committees to eliminate the necessity of competent, bi-partisan leadership that puts the needs of the Nation over politics and personal interest. And, in the end, no government reform can replace the responsibility of the people to elect officials who can build trust and confidence in government, select qualified leaders to run the government, and demonstrate courage, character, and competence in crisis.

## MAKING WASHINGTON WORK

Addressing these issues requires a scalpel, not a sledgehammer. It would be a mistake to think of interagency operations as a uniform, one-size-fits-all activity requiring uniform, one-size-fits-all reforms.

The highest rung of the interagency process is that that of making interagency policy and strategy. These are the tasks largely accomplished inside the Washington beltway by officials from the White House and heads of Federal agencies in cooperation and consultation with Congress. Over the course of modern history, this has actually become the strongest component of the interagency process. When it does fail, failure can often be traced to people and personalities (inattentive presidents or squabbling cabinet officials) more than to process.

Improving performance at the highest level of interagency activities should properly focus on the qualities and competencies of executive leadership, as well as upon getting the best-quality information to the leaders so that they can make the best informed decisions.

Operational activities stand on the second rung of the interagency process. These activities comprise the overarching guidance, management, and allocation of resources needed to implement the decisions made in Washington. Arguably, it is at this level of government where government's record is most mixed.

Outside the Pentagon's combat command structure (which has staffs to oversee military operations in different parts of the world), the U.S. Government has few established mechanisms with the capability to oversee complex contingencies over a wide geographical area either at home or overseas. Processes and organizations are usually ad hoc. Some are successful. Others are dismal failures. In the domestic theater, it mistake to rely a rigid Federal structure. Rather, what is required is an effective system of organization based on a cooperative regional structure built around

<sup>4</sup>See James Jay Carafano and Richard Weitz, *Mismanaging Mayhem: How Washington Responds to Crisis* (Westport, Conn.: Praeger, 2008). This work includes a collection of historical cases analyzing the effectiveness of interagency operations since World War I.

the governance of individual States. The regional Department of Homeland Security I outlined could significantly aid in facilitating this structure.

The third component of interagency activities is field activities. That's where the actual works gets done—rescuing people stranded on rooftops, handing out emergency supplies, administering vaccines, and supervising contractors. Here success and failure usually turns on whether the government has correctly scaled the solution to fit the problem.

Inside the United States, State and local governments largely take care of their own affairs. When the problems are manageable these approaches work well. On the other hand, when the challenges swell beyond the capacity of local leaders to handle, as in the case of the response to Hurricane Katrina, more robust support mechanisms are required. Arguably, what's most needed at the field level are: (1) better doctrine; (2) more substantial investments in human capital (preparing people to do the job before the crisis); and (3) appropriate decisionmaking—instituting the right doctrinal response when a crisis arises.

#### GOLDWATER-NICHOLS

A generation ago, the U.S. military faced similar professional development challenges in building a cadre of joint leaders—officers competent in leading and executing multi-service operations. The Goldwater-Nichols Act of 1986 mandated a solution that required officers to have a mix of joint education, assignments, and board accreditation to become eligible for promotion to general officer rank.<sup>5</sup>

Goldwater-Nichols is widely credited with the successes in joint military operations from Desert Storm to the War on Terrorism. The recipe of education, assignment, and accreditation (EA&A) can be used to develop professionals for other critical interagency national security activities.<sup>6</sup>

An EA&A program that cuts across all levels of government and the private sector must start with professional schools specifically designed to teach interagency skills. No suitable institutions exist in Washington, academia, or elsewhere. The government will have to establish them. Although the resident and non-resident programs of many university and government schools and training centers can and should play a part in interagency education, Washington's institutions should form the taproot of a national effort with national standards.

Qualification will also require interagency assignments in which individuals can practice and hone their skills. These assignments should be at the “operational” level so leaders can learn how to make things happen, not just set policies. Identifying the right organizations and assignments and ensuring that they are filled by promising leaders should be a priority.

Accreditation and congressional involvement are crucial to ensuring that these programs succeed and continue. Before leaders are selected for critical (non-politically appointed) positions in national security, they should be accredited by a board of professionals in accordance with broad guidelines established by Congress.

Congress should require the creation of boards that: (1) Establish educational requirements and accredit institutions needed to teach national and homeland security; (2) screen and approve individuals to attend schools and fill interagency assignments; and (3) certify individuals as interagency-qualified leaders. Congress should also establish committees in the House and Senate with narrow jurisdictions over key education, assignment, and accreditation interagency programs.

#### THE CLOCK IS TICKING

In Washington the important is often sacrificed for the urgent. The important, like reforming the interagency process, is put off until later, but later never comes. Thank you for the opportunity to discuss this and other issues critical to transitioning responsibility for homeland security from this administration to the next.

Mr. CARNEY. I thank you.

I thank all the witnesses for your testimony.

<sup>5</sup> For the genesis and explanation of the Goldwater-Nichols reforms, see James R. Locher III, *Victory on the Potomac: The Goldwater-Nichols Act Unifies the Pentagon* (College Station: Texas A&M University Press, 2002).

<sup>6</sup> Proposed reforms are described in James Jay Carafano, “Missing Pieces in Homeland Security: Interagency Education, Assignments, and Professional Accreditation,” Heritage Foundation *Executive Memorandum* No. 1013, October 16, 2006 at [www.heritage.org/Research/HomelandSecurity/em1013.cfm](http://www.heritage.org/Research/HomelandSecurity/em1013.cfm).

I will remind each member that you have about 5 minutes to question the panel. I now recognize myself for 5 minutes.

First question is for Mr. Duke.

Has the DHS transition team completed a transition plan?

Ms. DUKE. We have an outline, and the plan actually will be completed in the fall. But we do have the five components, and we are executing transition. We have a succession that is in place. We have our training ongoing. We have our team put together.

We have a matrix team throughout the components, and we had our first meeting earlier this week. But there is not a formal written plan at this time.

Mr. CARNEY. Early fall, mid-fall, late fall?

Ms. DUKE. Early fall. I would say October.

Mr. CARNEY. Okay. Okay.

Ms. Duke, also the Government Performance and Results Act—GPRA—requires every department to draft a 5-year strategic plan identifying department goals and strategy. GPRA requires that this plan be updated every 3 years, and the last update was in 2004, where a year had passed. What is going on? Why are we—

Ms. DUKE. We have a draft strategic plan. We are working with the Office of Management and Budget. It asked us to add more specific performance measures and outcomes to the plan.

So we had submitted it, and it was sent back to us about 2 weeks ago. They agree with the goals. They agree with the strategies. We were just asked to put more concrete measures in that, and that should be completed in no more than 2 months.

Mr. CARNEY. Starting from now.

Ms. DUKE. From now, yes.

Mr. CARNEY. Okay. So we can look for it in June.

Ms. DUKE. Yes.

Mr. CARNEY. Okay. We will look for it in June, certainly.

Would you agree that it is difficult to chart a course for the Department, if it has not identified the goals it wishes to achieve 5 years from now, as required by GPRA?

Ms. DUKE. I do agree with that.

Mr. CARNEY. Okay.

One issue that my subcommittee has followed closely is the Department's level of cooperation with GAO and the Department of Inspector General in particular. We alluded to this here today.

I am pleased to learn yesterday that at long last the secretary has finally signed off on a departmental memorandum regarding the IG's rights and responsibilities.

I remain, however, disappointed that it took so long to get this done—almost 2 years for a 2-page memo—since the IG requested it, and fully 1 year since now Deputy Secretary Schneider committed to this subcommittee that it would be completed expeditiously. It makes me wonder if it would have taken 3 years, if it was a 3-page memo.

Another issue is the GAO's access to information.

Ms. Duke, would you agree that there is no basis to withhold acquisitions sensitive documents from GAO?

Ms. DUKE. Yes, I do agree with that.

Mr. CARNEY. What about so-called draft documents?

Ms. DUKE. Draft is a little bit more dependent on specific situations, and that is something we are working with the GAO on. On some draft documents there is executive privilege, but in general in the draft management directive we have, which GAO has already commented on, we are urging people to release the maximum sum practical. But I cannot say every draft document should be released.

Mr. CARNEY. Mr. Rabkin, what is your view on this?

Mr. RABKIN. I agree in principle. I think when you get down to draft documents, it is—for that matter when you get down to any specific document, I think you have to look at the facts and circumstances.

I think there is a general culture at the Department that we are trying to change about whether, as a matter of default, they ought to withhold documents or check out documents before they turn them over, or whether, as a matter of default, they ought to provide the information that is requested.

Obviously, we believe in the latter, and we are trying to work with DHS to find a happy medium.

Mr. CARNEY. Okay.

Mr. Rabkin and Ms. Duke, could you make sure that you give me an update on where you are in talks to revise the Department's management directive concerning GAO?

Ms. DUKE. Yes, sir.

Mr. RABKIN. Be very pleased to.

Mr. CARNEY. All right.

One more for Mr. Rabkin and Mr. Ervin right now. In light of the heightened security represented by periods of administration changes, what are the most important actions that DHS can take in order to prepare for the impending Presidential period?

Mr. RABKIN. Well, Mr. Chairman, I think it is important to have people in line that will be there during the time the administration is changed, and this generally starts toward the end of a presidential administration when political appointees start leaving the administration and probably continues over into several months into the new administration until other political appointees are nominated, confirmed and in place.

This is perhaps the riskiest time, the most vulnerable time for the administration. It is the first time DHS is going through this, but other parts of the government have gone through it before. Other parts of State and local governments have also.

I am confident that with the plan that DHS has embarked on and with what they have done so far in terms of aligning career people behind the political appointees with laying out as much documentation as possible, that it will be successful. But I, too, look forward to seeing that plan more specifically.

Mr. CARNEY. Mr. Ervin.

Mr. ERVIN. I agree with what Mr. Rabkin just said. I think the Department and the secretary in particular are to be commended for the time and the attention and the focus they have placed so far on the transition and on making sure that there are career professionals in place during this time of transition until the new administration's people are in place and confirmed.

I think that is absolutely critical. I think personnel is key.

The only thing I would add to that is I think likewise the issue of intelligence is key. I think it is clear to all who follow the issue that the Department's intelligence unit information analysis is still—while there has been significant improvement, needless to say, since the Department was established, it is still a work in progress.

I would hope that the secretary is working very closely with the DNI and with the CIA director to ensure in general, but particularly during this time of transition, which, as you say, is certainly a time of heightened threat, that the Department has access to all information from intelligence from all across the intelligence community as to threats against the homeland.

Mr. CARNEY. Yes, we all hope so, too, actually.

All right, my time has expired.

I now recognize the Ranking Member, Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

Mr. Ervin, I was listening to your ranking of the top four or five issues, and you talked about the entrenchment of the management of the legacy agencies being problematic, and I agree. That has historically been a real problem.

Do you feel like there has been significant movement or improvement over the last 5 years on that front, or really none at all?

Mr. ERVIN. Well, sir, I think there has been some movement. As Ms. Duke noted in her remarks, there are these mechanisms. This joint investment council, I believe, is the term.

There are certain review mechanisms that bring together, as I understand it—this was the case when I was there; I think it has been improved upon since I left—whereby all of the relevant component heads meet with their nominal superior at the headquarters to level to do what can be done to improve coordination Department-wide.

Needless to say, that is a very good thing. But what I have recommended is that, as I say, these component people actually ultimately work for and be ultimately accountable to their counterparts at the headquarters level.

Mr. ROGERS. Direct-line authority.

Mr. ERVIN. That is right. Direct-line authority that could be easily done. I agree with Dr. Carafano that there shouldn't be wholesale further reorganizations in the Department, but this would be very easy to do, and I think it would—

Mr. ROGERS. You made the point that with a stroke of a pen the secretary could do this. Is that accurate?

I would also ask Ms. Duke. Is that accurate? Can the secretary, with the stroke of a pen, initiate this direct-line authority?

Ms. DUKE. I believe it would be within his authority to change the reporting of the Department. There may be a congressional notification requirement, depending on the extent of the reorganization. But that is a notification requirement, not an approval.

Mr. ROGERS. How does that happen with information system personnel?

Ms. DUKE. What we have done is each chief has what we call functional authority. They have some authorities over their counterparts in the organizational component, and for each of the chiefs, we are strengthening that authority.

So, for instance, on the chief information officer, he now approves all purchase requests over \$2.5 million. All the chiefs approve the selection of senior counterparts in the components, so we have made movement and strengthened those approval—

Mr. ROGERS. Why not more movement? Why don't we have direct line authority? What is the resistance? What is the downside to it?

Ms. DUKE. I believe that the reason that the component heads—the TSA, FEMA—their belief is that they need to have all the tools within their own organization to be able to execute their mission.

So there is a concern if TSA doesn't have its own contracting authority, and it needs to exercise contracts to accomplish its mission, that that mission commander, if you will, doesn't have the total toolbox to execute his or her mission.

Mr. ROGERS. Mr. Carafano, would you agree with that observation?

Mr. CARAFANO. Well, yes, I think the right answer is the right answer. There are a couple of issues that need to be addressed here—not to completely disagree with Clark.

But first of all you have to have a secretary that has the capability of managing these activities. We have to remember when we first created the Department, we created this paper-thin veneer of a secretariat that really didn't have the manpower and the muscle to actually manage complex activities.

So until you have pulled that at a level that you are comfortable with, your perhaps taking some of these things away, as maybe in a wholesale way, would not be a good idea.

The second point is that a leader is a leader so long as he controls two things: people and resources. When you start to take a subordinate to a leader and have him have a direct-line authority to a person or higher organization, the leader loses control.

So I do think it would be a case-by-case basis, where I would walk through various different agencies and look at the right balance of centralized control at the secretariat level and things that should be kept in the agency. So I wouldn't make a blanket statement across the entire Department.

Then the other thing is I would take a kind of crawl-walk-run approach to this. I would want to make sure I have got capacity in the secretariat to really control that function before I started ripping it out of the Department.

I think IT is the perfect example. If we had consolidated IT in the secretariat when the Department was first created, it would have been an absolute disaster. They would have been totally tsunami would with the incredible variety of IT requirements in the Department.

So I think this is one where you really do want to take not a sledgehammer approach, but a very deliberative approach to get the mission and the leadership up to match your price. It is definitely an issue.

Again, this is why you need an authorization bill. This is exactly the kind of thing that you should deal with in an annual authorization measure, where you can get into the piece parts of individual agencies and specific functions and activities and make reasonable and intelligent recommendations every year, so it is not coming in



some kind of, again, tsunami, grand 9/11 bill from Congress—you know, do all this stuff.

But on an annual basis, you can bite these things a piece at a time and move the Department kind of in a disciplined way into the future.

Mr. ROGERS. Mr. Ervin, would you like to follow up on that? You heard the observations about why going to direct-line authority immediately is not necessarily a good idea. Do you agree with that? Are you—

Mr. ERVIN. No, sir, I am not persuaded by it. It could be done very easily. As Ms. Duke said, there might be congressional notification, either legally required, and even if it isn't legally required, certainly, it would be a good thing as a matter of policy to do, but it is something the secretary could do.

I don't think that it would have overwhelmed the Department to have done it at the beginning. But even if that were true, we are 5 years after the establishment of the Department, and certainly enough time has passed such that it could be done now.

Until it is done, the Department will, as I say, continue to be less than the sum of its parts, and the Department will still be a collection, to some degree, of disparate organizations, each going in its own direction.

It would be a very simple thing that would promote integration and, as a consequence, make the Department more effective and efficient economically, it seems to me.

Mr. ROGERS. I will come back to this when I get my next turn. I really think this is an important area.

I will yield back.

Ms. CLARKE. Ms. Duke, I wanted to touch upon the issue of diversity. There has been one that has been an issue of concern to myself, and certainly to our chairman.

In your testimony it seemed as though the numbers that you have talked about were sort of cherry-picked around the various lines of the agencies for your executive cadre. For instance, you cite the percentage of Hispanics at ICE and CBP. Then you jump over to the number of African Americans in TSA and the women at USCIS.

What are the Department's overall statistics for minorities in the executive cadre? What are the numbers within the office of the secretary executive management and the office of the under secretary for management?

Ms. DUKE. The point in pointing out some of the numbers is we believe that the eventual success in our diversity is going to be twofold. One, and principally, is the recruiting, getting the right people into the Department. Once we have the right people in the Department—and those highlight two areas where we have in CBP some successes in bringing diversity into the Department.

The second thing we have to do, then, is have the programs, the training, the opportunities for people within the Department to go to the senior executive level, if that is what they wish. So we have a lot of initiatives going on now.

We most recently just had our first women's leadership forum. That was about 2 weeks ago, and we had about 150 women in the

Department come, and it was in-house. So we are looking at those opportunities.

I will submit for the record the exact numbers that you asked for, but I do admit that we want to improve our diversity numbers, especially among the senior executive service within the Department. That is something that we are focusing.

Ms. CLARKE. Yes, I think it is important that we sort of establish where we are right now as the baseline for where we need to go. As hard as it may be to sort of look at it and not actually be where we want to be, we have got to know where we are. So I do hope that you would forward us that information as soon as you can.

I would also like to just talk about sustainability. In its early years, DHS has relied on contractors to a greater extent than any other department. Do you feel that this is sustainable? Also, as you look ahead to the future, how do you envision the role of contractors? And are you planning on reducing the Department's dependence on contractors and using Federal employees to fill more roles?

Ms. DUKE. I think, Ms. Clarke, the answer is it depends. We are looking at this. When we issued our data call for the FAIR Act inventory, the Federal Activities Inventory, to look at what should be contract and what should be inherently governmental, we asked each component to look at its use of contractors and make sure that every activity is properly coded either commercial or inherently governmental.

One point to make, though, is just because it is commercial does not mean we should contract it out. There is an ability to say something is commercial, but it is so important to either the accomplishment of the mission or, in the cases of some discussions with this committee, oversight of some key contracts, that we want to keep it in the Federal workforce, despite the fact that it could be contracted out.

So we are undergoing that system-wide review right now with the next FAIR Act inventory data call. We do know in some areas we are looking at making sure we have the most robust Federals to manage the contracts, which is an area we looked at. So in certain areas—for instance, NPPD—we are looking at building the Federal workforce to have it surround better and manage the contract workforce.

Ms. CLARKE. Under Secretary Duke, while we are all very interested also in the long-term goals of the Department, we want to take a look at the shorter term. As you enter the transition, what would you say are some of the specific goals that you feel cannot wait and that the Department must meet before the next administration takes over?

Ms. DUKE. Well, in terms of the transition goal, the principle is making sure that we have clear people in place in all the key areas that are there for succession and that they are trained to handle the role of their boss, should their boss be gone, due to political resignation.

That is something we started and we are working on right now. We are doing exercises with the No. 2s and No. 3s. That is huge.

Within management there are a couple of key processes that we think we need to have in place. At headquarters we are implementing an electronic records management system. I think that is

very important to have in place before the change of administration.

We are continuing the migration of the data centers to make sure they have it in place. So we have both the management practices we want to have in place, plus the transition role.

Ms. CLARKE. My time has expired, but perhaps we will do another round.

Ranking Member Rogers, do you have some questions?

Mr. ROGERS. I do. Thank you very much.

I want to get back to this issue of direct-line authority. I would ask Mr. Ervin.

Do you think we have made successive approximations toward that authority that are substantive? You heard Ms. Duke make some reference to functional authority. Are those reasonable successive approximations toward where we need to be? I know you would like to see it happen right now.

Mr. ERVIN. Well, sir, there certainly is progress, and it is commendable.

Mr. ROGERS. Is it reasonable progress?

Mr. ERVIN. Yes, well, that is difficult to say. I guess I would say no, because, as I said earlier, it would be so easy simply to provide the direct-line authority. The question that you were asking a while ago is a very good one—that is, what is the downside of it?

I have yet to hear an argument convincing—any argument, really, but certainly haven't—

Mr. ROGERS. You heard an argument about it. But she had an argument.

Mr. ERVIN. Yes. I haven't heard a convincing argument as to the downside of it. This notion that component heads need a full complement of skills and activities within their component in order to properly discharge the mission does not persuade me, really.

There is no reason in theory or in practice why a component head could not look to the chief procurement officer at the Department level, the chief information officer, or the chief financial officer, as the case may be, to provide each of those services with regard to his component, or her component.

As long, as I say, as these counterparts have their own chief financial officers, et cetera, then these components will continue to operate in a less optimal fashion. The Department will be less integrated than it should.

It is certainly important, for example, as Ms. Duke said, that the Department be physically consolidated, or as much of the Department as possible. That is another reason why the Department has yet to be integrated.

But similarly, this kind of functional line authority, which costs nothing and which can be accomplished instantaneously would even more quickly, it seems to me, to conduce to the kind of cohesion that the Department lacks and, because of the transition, the Department needs more than ever, because we all agree that this is a time of heightened vulnerability and high threat.

Mr. ROGERS. Mr. Rabkin, I wanted to ask you. You talked about moderate successes and limited successes. In looking at the development of the management amongst the 22 legacy agencies—and you made reference, as I did, to the 5 to 7 years it takes for these

mergers to really at a minimum reasonably be stood up as an organization—do you think that we are making reasonable progress within the Department toward the ultimate goal of having a cohesive organization?

Mr. RABKIN. In terms of the mission functions, I think the progress has been reasonable. I think that the Department properly put its focus on ensuring the homeland security, aviation security, that border security, the ability of the Coast Guard and FEMA to be able to search and rescue and carry out their missions, et cetera.

However, the management side, in my opinion, has been given secondary focus and attention. I think it is time now to start—through the efforts of oversight, through the efforts of reorganization within, and changes of personnel within the Department—it is time to start focusing on that.

We would like to see something a little more specific in terms of a plan about where for each of these areas does the Department want to be. When do they expect to get there? What are the steps from here to there? Who is going to be responsible for doing it? What kinds of resources are needed to get us from point A to point B?

It would be easier to hold them accountable, certainly, but I think it will give them a better roadmap, especially as the new administration comes in and has to pick up to the ball to continue this progress.

Mr. ROGERS. Well, I think that we all would agree that we have seen lessons learned and legacy agencies function better together over the last few years. That first couple of years was rough, as everybody knows.

But I guess I am looking for feedback from all of you about where we are, if we are making adequate progress. I have constituents complain regularly. I hear on TV people criticize the Department for various problems. But I view it as—and many of you have heard me offer this example—a gangly teenager who is still trying to get the coordination of his limbs that are growing faster than they are used to.

That is the way I see the Department. But I am asking are you seeing the level of maturation at a rate that you think is acceptable, given what happens with other similarly larger mergers?

Mr. Carafano.

Mr. CARAFANO. Well, yes, I would say no. I would say the reason for that—and in particular I agree with Mr. Rabkin—is we haven't seen adequate advances on the management front.

Then, again, I would go back. I think the two fundamental reasons for that are the two reasons I mentioned at the beginning. One is the lack of coherent oversight from the Congress. When you have different parents pulling in different directions, that is a big problem.

The second is, I think, we have gone through again. We have gone through three major reorganizations of a very young department, and that has been incredibly disruptive.

Back to Clark's point, this notion about well, this would cost us nothing. This is a free lunch. Direct-line authority would essen-

tially require another major reorganization of responsibility, and I think it would be incredibly disruptive.

I think that fundamentally here we have to make a distinction between departments like Education and Energy and Agriculture, which are relatively vanilla across the breadth of the department, and departments like Defense and Homeland Security, which are very complex departments, very complex, different missionaries, different functional responsibilities, and you cannot treat everything the same.

DOD has had a mix of line and dotted authority for decades, and there is a reason for that. I think as the Department matures, I think what you will actually see in DHS is something that, again, looks like more DOD, that has this combination.

In some areas you will and should see consolidations of functions and activities. I am absolutely supportive of that. I think there are too many independent activities within DHS. It is too broad a span of control for the deputy of the Department to manage as a chief operating officer, which is the model they have adopted.

I think it is a great model, but the problem is you can't model that many different independent components. So I do think eventually you would want to see less of these.

But, again, I think some kind of silver bullet management solution—everybody reports to the chief operating officer of this or that—I think is inappropriate for a department like this.

Mr. ROGERS. Thank you.

My time is up. I hope we have a third round.

Ms. CLARKE. Ms. Duke, is there sort of a framework written documentation about how you are going to transition? Is there a plan that you are working off of that indicates benchmarks of when you want to accomplish what by when?

Ms. DUKE. We do have an outline of a plan, and I committed to the chairman earlier that I will have a formal written plan by October. That is the whole transition strategy. We do have a five-prong plan on succession order, on training and on knowledge transfer, and that is ongoing.

Ms. CLARKE. That is currently what you are working off of, but the filled-in fleshed-out plan itself you don't have to expect to have before October?

Ms. DUKE. For October.

Ms. CLARKE. Okay. Is there a way that the committee can receive the plan you are currently working off of so that we can have a good basis from which to have expectations around the October release?

Ms. DUKE. Yes, I would be happy to forward that to you.

Ms. CLARKE. Wonderful.

I want to go back to the issue of the contractors just briefly. One area that you didn't really address was sustainability. I think the American people are very concerned, because, of course, we endeavor in many different areas where we are contracting out, and we don't necessarily get what we bargain for.

Do you feel that the current level of contracting that is engaged in in DHS is something that we will have to sustain throughout the outgrowth of this agency? Or do you see that diminishing to a cer-

tain degree, once a certain amount of that work is identified as work that should be part of a Federal employee workforce?

Ms. DUKE. I think that will depend on how many new initiatives. A lot of our growth has been new initiatives. So if we continue to have the level of new initiatives that we have, I think that we might see a different look to where the areas are of growth that will continue to have growth.

If there aren't major initiatives—for instance, on the SBInet program—once we deploy the technology, certainly we are going to reduce the number of contractors and just be in a sustainment mode, and we will actually be operating the SBInet system through the Federal Border Patrol agents.

So I think it depends on what area. I do know that in terms of sustaining, we are looking at both the effectiveness of contractors and the cost in certain areas. Is it more costly to use contractors? Or is it less costly to use Federal employees? It actually depends on the area.

The third thing we are looking at that is important is: Are they available? Intelligence is an area where it is very, very difficult to get Federal employees. So we are looking at how we actually meet that mission.

Ms. CLARKE. I would then just ask you, Ms. Duke, in closing for questions to you, the Department's investment review process—Management Directive 1400—has been under a revision for several years.

No. 1, in your view what is the appropriate role for department-level oversight of its management investment? Why have previous experts not provided sufficient oversight?

No. 2, how do you plan to address this issue before the next administration?

Ms. DUKE. The main reason we are just novices at oversight in the investment review board is because the Department started with procurement people only. There are about 14 career fields that make up an acquisition program. The most key and essential of any acquisition program is the program manager.

When CPO was set up, it had only the procurement people. We now have a division of the acquisition people—program managers, cost estimators. That goes to sustainability issue. What is it going to cost in the long term? We have test and evaluation logisticians.

So now we actually have the skill sets in CPO—not enough, but a few of the right skill sets so we can look at a program. Several members of this committee have mentioned if we don't have a good requirement, the rest isn't good.

We can go in early in a program, actually not just look at the end product, which is the contract, but look at the program documentation, the requirements document, the mission needs statement, the cost estimates, so we can actually do a program review, not a procurement review, because the procurement review is at the end, and all you can do is really band-aid the problem at that point, stop the bleeding.

Ms. CLARKE. Thank you.

My final question is to you, Dr. Carafano. You note that among the greatest challenges facing DHS is the congressional oversight is conducted by far too many committees.

As a member of the House committee tasked with the primary oversight of the Department, this has been a major frustration in that it makes any congressionally mandated reform of the Department exceedingly difficult, as bills are referred to all sorts of committees, and some of which have minimal expertise in homeland security.

Can you elaborate on your comments? Do you have specific examples of how this has hindered the growth of the Department?

Mr. CARAFANO. Yes, ma'am. I think the best example, actually—and really where these things really need to be discussed with them is to look at the authorization bill.

Every year this committee has been great in drafting the authorization bill. Look at how many measures in that bill get stripped off, because other committees say it competes with their jurisdiction.

That is probably the best example right there of the problem. That is why I think these are really solutions that have to go in tandem: the consolidation of oversight and the authorization process. One is insufficient without the other, and both are absolutely required, if we are going to have the kind of consistent congressional leadership we need for the committee.

Ms. CLARKE. We are trying to still get a sense of how this could hinder the growth of the Department, because we are moving forward now. We are talking about transition. We want to make sure that we are as strident as possible. What could you say in that regard?

Mr. CARAFANO. Well, the clearest answer are the domains that really cut across our society. Look at TSA and the Coast Guard—probably the best examples. TSA has transportation responsibilities across the entire globe, actually. The Coast Guard missions cross many different domains in everything to do with water.

Between the Senate and the House committee, you don't have consolidated oversight of those two in a single department, and that is, I think, a clear example where it is really showing. I think those are the ones that are absolutely the most important where you do have capabilities that cut across the society.

Again, just to go back to my initial comments, the reason why this is so important is unless we are going to change the strategy of homeland security in this country—we talked about a risk-based strategy. We live in a country with an infinite number of vulnerabilities, and if we are going to spend \$100 billion taking one vulnerability off the table, we are going to have infinity minus one.

We don't want to live in a society where we wall us off from the rest of the world, and we don't want to live in a society where we take away anybody's liberties and privacies and freedoms to make us safe.

We want to live in a free and open society, and the only way we are going to do that is if we go out there, and we stop the bad guys, and if we make hard decisions about where we want to intervene in a free society to provide those protections.

That can only be done in a holistic manner when every committee is saying this is the most important thing that has to get done. It is not being put in a holistic context. I think that is a great example of where we have really—you know, we have a stated

strategy, and then we have a congressional oversight process, which is specifically designed to prevent you from implementing it.

Ms. CLARKE. Thank you very much.

Congressman Rogers, our ranking member, mentioned that the Homeland Security reminds him of a gangly teenager. I think it reminds me of an infant still learning to focus its eyes.

Having said that, our Chairman is back, and I would like to suggest to him that our Ranking Member has asked for another round of questions, and that is certainly your prerogative, sir.

Ranking Member Rogers.

Mr. ROGERS. Thank you very much.

I would ask Ms. Duke. You heard Mr. Ervin's reference to the need, and my reference to the need, for more procurement officers in your former department. Where are you on that front?

Ms. DUKE. We are up to nearly 1,000 procurement officers.

Mr. ROGERS. How many do you need?

Ms. DUKE. Right now, we are authorized to have about 1,250, so we are working up that right now, and then we will reassess. That is up from about 400 in 2004, so we are making good progress.

Mr. ROGERS. You also heard Mr. Ervin's reference to the need for bonuses and better pay. Do you find that is a component of recruitment and retention that is a real problem when it comes to procurement officers, or not?

Ms. DUKE. I think we started a good exit interview program. I think that we can use recruitment and retention bonuses, and we do use that some. I think that what we are doing well on, according to our last employee survey, is people love the mission, and they are proud of it.

I think that what challenges a lot of people is the stress of being especially a procurement officer in the Department. In the last round of questions, we talked a lot about business versus mission, or management versus mission.

Management doesn't exist without mission. We exist to serve the mission. So I think one of the things we have to overcome, even with that organizational change, is make everybody accountable for both mission and management.

So if the culture is that, oh, you are responsible for delivering the mission, and management is responsible for adhering to costs and good business practices, they would never have the maturity level that you want.

So I think that we will be able to better retain procurement if we have a unified buy-in that we are all jointly and severally responsible for meeting the mission, but doing it in a way that appropriately balances risk and appropriate use of good business practices.

Mr. ROGERS. Thank you.

Going back to Mr. Ervin's statement, you made reference to contractors, and in more of a dim light than I view contractors. I think that there are certain specialties and special skill sets that we just don't have, and we are not going to be able to have as a department. Or, we are not going to see the Department be able to have them, and they have to go to the private sector to draw on those.

But you made reference to some contractors who have been drawing specs for their contracts. I would like to hear about that.



That is just unacceptable. I would love to know some specific examples of that.

Mr. ERVIN. Sure. A couple of examples, sir, but first just let me say that I am not opposed to contractors ipso facto. I quite agree that it depends on the circumstances. There are certain functions that certainly only contractors can perform.

I was just making the larger point that I think has been acknowledged, that DHS uses contractors to a very, very large degree—perhaps to a greater degree than any other agency, certainly, its size. I question that.

To give you a couple of examples, early on in the Department, when I was in there in its first year, the Department TSA allowed Unisys to define its IT requirements for an IT system. That contract ultimately—I have forgotten what the initial amount was, but I think it was just a couple of hundred million dollars—ballooned to cost over \$1 billion, and I think it is a direct result of the fact that TSA at the time did not know what its requirements were and left it up to Unisys to tell them what its requirements were.

There are other examples, certainly, but the latest big example is the SBInet contract that Ms. Duke referenced of a year and a half ago, a couple of years ago. Then Deputy Secretary Jackson famously said in a meeting to contractors, “We are going to actually ask you to design a system for us and tell us what we need with regard”——

Mr. ROGERS. So they asked a number of contractors to make a pitch. They didn’t say, “You draw up a contract.” They said, “You make a pitch.”

I am no big fan of SBInet the way it has worked out. Don’t get me wrong. But I wasn’t aware that they drew their contract up.

Mr. ERVIN. Respectfully, sir, it wasn’t just make a pitch. That happens all the time. It was—and I can get you the exact quote from the deputy secretary—but it was essentially, “You tell us what the requirements are. You design the system for us.”

That is exactly what has been done, and that is a large part of the reason why this SBInet contract is as costly as it is and why we are still so far off in terms of getting what we need to get to protect the border——

Mr. ROGERS. Would describe that completely different and say, “You tell us how you would design a program that would work,” and told several vendors that. Then they made their pitch of what would work, and DHS selected the one that they thought was the most effective.

Don’t get me wrong. I am not defending the way it has worked out, because I don’t think SBInet’s on track the way it should be. But I don’t want to see corruption taking place in our contracting, and that was my concern with your first statement.

I have just got a couple of seconds.

I would ask Ms. Duke—your No. 1 goal in your new role as under secretary for management. What do you want to do first and foremost? What is the biggest challenge on the management front for the department?

Ms. DUKE. The biggest challenge for me is for transition, and that is to sustain the progress we have made so far and making

sure that we have management factored into decisionmaking so they would not backslide in that.

The second is to make sure we have some of the key management practices in place. I talked about we have to have a records management system, we have some staffing issues, so to put that infrastructure in place so that when the next administration comes in, they could focus on protecting the homeland and don't have to worry about the basics.

So we have a few key areas in each of the chiefs. But basically, it is to sustain the progress we have made and then to continue it forward.

Mr. ROGERS. Thank you, ma'am.

I yield back, Mr. Chair.

Mr. CARNEY. Thank you.

Well, I will go for a little while on it, anyway. We just went into recess, so we don't have worry about being pulled away.

Ms. DUKE. I am concerned to continue on about the sole source contracts. I think it should be the exception, and not the rule. I think pretty much everyone agrees to that.

Would you consider doing a memorandum, probably not to all procurement officers, to remind them that sole source contracts ought to be the exception, and not the rule? Mr. Rogers rightly points out that there are some things that only one contractor can do, but I think I agree with Mr. Ervin when we ought to explore. It doesn't hurt. Would you?

Ms. DUKE. Yes. We could certainly issue a memorandum.

We just recently did a competition report that was done by the chief procurement officer. It is rather lengthy. Basically, we went from about 45 percent last year to 60 percent in 2007. So that was 2006 to 2007, 69 percent.

Our goal for this year is 68 percent. The Federal-wide average is 75 percent, which we are hoping to get to by 2011 at the latest. So we really think that when we put all our mission elements aside, we can be at least with the Federal average.

But I would certainly prepare the message reminding people that competition is the preferred way.

Mr. CARNEY. Right. Very good.

Mr. Ervin, care to comment on that?

Mr. ERVIN. Well, I certainly cannot disagree that competition is the preferred way. But as I said in my statement, and as you reminded us, I really cannot conceive of a circumstance where it should not be the case that the Department—any government agency—should always seek bids.

It may well be the case that only one contractor can as a matter of fact supply the necessary good or service at a reasonable cost. But we don't know that for sure until we bid out, and so as a matter of good practice, it seems to me that there should always be bidding out of contracts, and I think a memo to this effect from Secretary Duke would be a good thing.

Mr. CARNEY. Mr. Carafano? Or Dr. Carafano—I am sorry.

Mr. CARAFANO. There are over a dozen forms of Federal contracts under the Federal contract award for a reason. That is because they all have different utilities. So I think we are going down the

road, if we are having a debate about no-bid sole source versus competitive contracting.

The real answer, which the committee has already identified and hit the Department on, is to have a qualified contracting workforce that knows what they are doing. Oftentimes in DOD, for example, when I was doing research on Iraq, of course they went out for a sole source no-bid contract, because they were in the middle of a war, and they had days to do this.

The problem was, having once done that contract, 12 months later, when the requirement was clearly defined, when it was clearly alternative bidders, rather than go back and re-bid that as a competitive contract with an RFP, they just kept doing it sole source, because it was just easier, and they were too busy to do anything else.

So the real answer is in the quality and the capacity of the contracting force. People are educated and skilled and motivated to their job. They are going to get you the best fee for service, and at the end of the day, that is what we really, really want.

Mr. CARNEY. Or to plan also.

Mr. CARAFANO. Yes, that would be helpful—and I think especially for DHS. This is, again, a lesson learned with DOD. DOD's greatest sin is they never plan for the capacity of the contracts they had to undertake in Iraq, and their contracting force was absolutely and completely overwhelmed.

We can't assume that there is not going to be a day when DHS, because of some kind of catastrophic situation, has a massive increase in contracting requirements for some unforeseen reason, and if you don't have a plan on how you are going to expand your capacity very rapidly to meet new and unexpected demands—

One of the things we know about the bad guys is that they are very innovative and creative. Someday somebody is going to figure out a way to attack this country that we ain't never thought of. There won't be a Federal employee to do this, because we never thought we might need one for that, and we are going to have to go out and find somebody to contract for that.

They call it in DOD now—the Army calls it—expeditionary contracting. It is the notion of being able to quickly identify people with skills, wrap them up, get them out, deploy them and employ them.

That is another issue as well. A lot of places you are going to have to send contractors out, so you have to think about paying them and sustaining them and everything else.

So paying a lot of attention to the professional development of your procurement work force is, I think—I applaud this committee for being so hard over on that, because it is absolutely about employment. But we need to think in terms of both professional development and capacity.

Again, I hate to be a broken record, but that is why you have authorization bills. So every year you go back and you revisit this issue, and you say, "How much progress have we made on this vital issue since last year?" You have a chance to act again on it.

Mr. CARNEY. All right.

Any further questions? Okay.

Well, I am satisfied. I think we had a great hearing. Frankly, the bipartisan talk, and we covered substantive policy issues, which is not a bad thing to do once in a while.

Hearing no further business, the committee stands adjourned.  
[Whereupon, at 3:13 p.m., the subcommittee was adjourned.]

## A P P E N D I X

QUESTIONS FROM CHAIRMAN CHRISTOPHER P. CARNEY OF PENNSYLVANIA FOR ELAINE C. DUKE, DEPUTY UNDER SECRETARY FOR MANAGEMENT, DEPARTMENT OF HOMELAND SECURITY

*Question 1.* What do you anticipate being the top priorities for the next administration as they take over the management of the Department?

Answer. In the area of Management, the next administration will be faced with the same challenge as the current administration, which is to continue transforming the Department of Homeland Security into a unified force that protects our country. The Department management must ensure that there is a comprehensive and integrated strategy throughout the components, with specific and measurable goals that support the activities DHS priorities. Currently, the Department is focused on the following efforts:

- Improving acquisition and procurement throughout the Department;
- Strengthening the requirements and investment review processes;
- Acquiring and maintaining human capital;
- Seeking efficiencies across the enterprise in operations and the use of resources;
- Making the key management systems, such as financial and human resources, world class;
- Acquiring the funding and approval for DHS' consolidation at St. Elizabeths Campus and the efficient realignment of all Department of Homeland Security off-campus locations.

These efforts are not administration-specific, but rather reflect the key needs of the Department, its employees, and the Nation. These will be the issues facing the new administration as they take over the management of the Department; however, it is the goal of the DHS transition effort to ready the Department, to the maximum extent possible, for this changeover in Presidential administrations.

*Question 2.* Please briefly describe the Directorate for Management's goals for 2007 and 2008?

What long-term goals (5 to 10 years) do you have in place for the Department?

Answer. In 2007, the Management Directorate's goal was to strengthen and unify DHS operations and management. Faced with the challenge of strengthening the DHS components to function as a unified Department, DHS must balance centralized, integrated activities across decentralized operations that are distinctly unique. In order to meet this challenge, the Department drives operational success by coordinating four critical management objectives: provide structure, optimize processes and systems, foster leadership, and leverage culture.

These four objectives serve as a framework to focus and evaluate operational effectiveness, particularly in delivering services in support of Department-wide initiatives. By applying these objectives to all lines of business throughout the Department, DHS seeks to ensure continuous improvement, quality control, and sound business practices.

*1. Provide Structure.*—Strengthen unified organizational governance to enhance Department-wide communication, decisionmaking and oversight.

- Develop DHS internal controls
- Execute oversight

Organizational structure allocates authority and responsibility, establishes reporting relationships and spans of control, and ensures the flow of communication and knowledge.

In providing structure, we will implement critical internal controls for operations and management to ensure consistency and continuity within organizations; realign and delegate authorities that will improve the efficiency and delivery of homeland security programs for the American public; and issue employee performance plans that are results-focused with clear expectations and aligned with Departmental mission priorities.

Well-structured organizational governance includes a clear chain of command, a reduction in vacant oversight positions and compliance with Department-wide management directives and standard operating procedures.

*2. Optimize Processes and Systems.*—Integrate functional operations to facilitate cross-Component synergies and streamline coordination ensuring reliable and efficient support of mission objectives.

- Increase functional integration, information sharing, and operational performance
- Decrease administrative costs

Organizational processes and systems improve interaction between disparate systems, align shared services, and build sustainable infrastructure that enables functional integration and incorporates flexibility for evolving requirements.

In optimizing processes and systems, we will incorporate stakeholder perspectives to ensure collaboration on key decision points; develop internal and external communications plans; and increase coordination of operations that accomplish the Department's mission priorities. Utilizing information technology systems, we will streamline administrative processes and support communication networks.

As we advance information sharing capabilities and partnerships, we will share information with Federal, State, local, tribal, international, and private sector security partners.

Effective processes and systems support operational tasks in ways that reduce costs, correct material weaknesses and increase the reliability, timeliness, quality, and security of operations.

*3. Foster Leadership.*—Adhere to the core values and guiding principles of DHS in performing duties, effecting progress and leading with commitment for the mission.

- Strengthen and maintain existing leadership within the organization
- Identify, support, and develop potential leaders

Organizational leaders inspire vision and goals, foster cooperation, proactively overcome impediments, and remain distinguished in their dedication to duty.

In sustaining leadership we will continue building a 21st century workforce by identifying skill gaps, improving hiring and retention programs, clearly defining roles and responsibilities, and providing training across the Department.

We will support the delineation and implementation of the DHS leadership transition planning effort while advancing inter-agency collaboration and cooperation with State and local leaders.

*4. Leverage Culture.*—Leverage the benefits of commonalities and differences across components to promote cooperative intra- and inter-agency networks and implement best practices.

- Implement best practices
- Provide inter- and intra-agency representation

Organizational culture results from past strategies, experiences, obstacles, resources, and successes. We will implement best practices and drive unification with consideration for the different strengths that each organization and its employees may offer the Department.

In collaborative networks throughout the Department, diverse skill sets will be utilized to ensure products and services that regard different ideas, solutions and create innovations. Inter-agency collaboration will benefit from DHS employees that are knowledgeable of the various DHS efforts, constraints, and concerns and can provide a clear and representative perspective.

In 2008, we are continuing our efforts to enhance DHS operations and management by further developing Department-wide structure, processes and systems, leadership, and culture.

In particular, we will strengthen acquisition management by reducing risk, monitoring program performance, and building a robust acquisition workforce.

We will strengthen the role of the Chief Information Officer and underscore the importance of information technology (IT) security, unified enterprise architecture, and an integrated IT investment review process.

We will unify IT infrastructures by reducing the number of data centers and networks and by deploying a new range of security services.

We will ensure that all DHS components have improved access to needed data and information through information sharing and access to DHS facilities and systems.

We will enhance operations coordination by establishing a joint planning capability for non-routine, multi-component operations.

We will strive to consolidate our headquarters facilities.

Finally, we will incorporate best practices for departmental transition planning in order to deliver a strengthened and unified DHS to the next administration.

*Long-Term Goals (5–10 years)*

As the Department develops its management structure and improves cohesion across all components, DHS operations will strengthen with more effective means for utilizing its resources, including labor, assets, and appropriations. Over the next 5 years, DHS will have the internal controls and infrastructure to shift its energy and focus from unifying legacy operations and overcoming management challenges to sustaining a unified Department that benefits from enhanced information sharing capabilities and other synergies that enhance performance and achieve goals in support of securing the Homeland.

By applying the management framework introduced in fiscal year 2007 and 2008, DHS management goals will ensure that appropriate structures, processes and systems, leadership, and culture are maintained in support of mission goals. DHS Management will continue to aim for results that administer taxpayer dollars and define expectations in ways recognized to be good governance and exemplary of meaningful public service.

In particular, DHS' management structure will ensure that operational goals are aligned with strategic plans, assurance statements for financial and operational controls are authorized by leadership, and Department-wide internal controls and acquisition oversight maintain the integrity of major mission programs.

In addition, processes and systems will be refined and sustained by consolidating disparate managerial tools, including financial applications, human resource training and recruiting mechanisms, and grant management processes in order to increase functional integration, asset efficiency, and Department productivity.

For example, when the Department began operations in 2003, it was challenged to provide timely and compliant financial information from 22 diverse legacy agencies. To accomplish this, the Department developed clear standard business practices from internal control best practices to establish a management control program that measures performance and provides accountability for improvement in its published Internal Controls Over Financial Reporting Playbook. In addition to this playbook's corrective action plans that will enable DHS to overcome outlying financial material weaknesses in the next 5 years, the Department couples its documented standard operating procedures with a high-level financial management systems strategy called the Transformation and Systems Consolidation (TASC). Moving TASC ahead will bring a reduction in the number of financial systems across the Department and will drive the implementation of a consolidated financial management system.

The Department will take this phased, multi-faceted approach to addressing redundancies and inefficiencies in other operational areas of DHS. For instance, to streamline recruitment efforts, the Department will implement an enterprise recruitment/hiring solution that consolidate and modernize current overlaps in Department hiring systems. This e-Recruitment effort will provide flexible functionality to meet the needs of our Component organizations and improve operations with automated processes; the elimination of paper-based systems; the creation of an easy-to-use and web-accessible interface for all system users, and implementation of human capital industry best practices. Similarly, homeland security grants management, one of DHS' most critical functions, will obtain enhanced efficiency and increased transparency by consolidating the administration and management of all DHS grants with the Federal Emergency Management Agency. By integrating and innovating processes and systems, the Department is taking advantage of existing resources and expertise to streamline services and improve access to critical homeland security funding for State and local governments and organizations.

Particular to current management challenges and in terms of overcoming potential transition challenges, DHS leadership will strengthen and maintain its operations by identifying, supporting and developing potential leaders through Department-wide recruiting efforts. Maintenance of a robust transition plan and standard operating procedures along with management of an interactive web-based training application will provide employees with access to both mandatory and individual training opportunities that are flexible in terms of access and time and economical in terms of cost.

Last, DHS culture adopted from legacy agencies provides both obstacles and opportunities to overcome present management challenges. The goals implemented in fiscal year 2007 and 2008 provide the framework for the Department to identify and develop best practices, represent multiple stakeholders and constituents, and share information both inter- and intra-Departmentally. These capacities will ensure that America is protected from dangerous people, dangerous goods and is prepared for dangerous environmental events. Over the next 5 to 10 years, the Department will ensure that best practices are disseminated and adopted as standard processes and

procedures and that DHS functions as a unified Department of many capabilities, talents, and resources.

*Question 3.* What are the Directorate for Management's major achievements in 2007 and 2008?

Answer.

*2007 Achievements—Under Secretary for Management*

1. *Consolidation of Network sites.*—Consolidated 100 percent of DHS HQ, CBP, ICE, FLETC and USCIS network sites (over 1,780 sites) to a single multiple protocol label switching (MPLS) network allowing DHS transparent monitoring of network performance and activity, prioritization of traffic and vastly improved security posture, and established the two DHS data centers to migrate DHS system operations.

2. *Regulatory Framework.*—Established the regulatory framework to ensure the Department Chief Information Officer had control over Department-wide IT Acquisitions, budgets, and personnel performance, in 2007 we aligned over \$3.2 billions of IT investment.

3. *Recruitment and Hiring.*—DHS improved hiring by providing timely, direct interaction with applicants. The Department's average time to hire was 41 days (versus the OPM target of 45 days). This included:

- Hiring 4,000+ Border Patrol Agents, 1,500+ above target of 2,500 (CBP);
- Hiring 2,300+ Protection Officers, 1,600+ above target of 646 (CBP);
- Hiring 11,200+ Transportation Security Officers, exceeding the target of 10,300 (TSA);
- Meeting the target of hiring 412 Immigration Enforcement Agents (ICE).

4. *Safety and Occupational Health Program.*—Since fiscal year 2004 the DHS injury rate has been nearly halved to a rate of 9.3 per 100 employees. This is a significant accomplishment for the Nation's largest law enforcement Department, and is a reflection of the strategic direction and leadership provided by the Office of Safety and Environmental Programs within the Office of the Chief Administrative Officer.

5. *Energy Management Program.*—The DHS Energy Management Program received the President's award for Leadership in Federal Energy Management. The Department has reduced energy usage by 18 percent, or 1.7 trillion BTU.

6. *Consolidated Headquarters Program.*—DHS has worked closely with the General Services Administration on the preparation of a Draft Master Plan for the redevelopment of St. Elizabeths West Campus as the DHS Consolidated Headquarters, and played an integral role in the development of the St. Elizabeths' Draft Environmental Impact Statement.

7. *Financial Management.*—The Department has dramatically improved its financial management and stewardship of taxpayer dollars. The fiscal year 2007 Annual Financial Report, the principal financial statement of accountability for DHS, shows achievements in every area of measurement, and that our corrective actions are working. The number of organizations with no material weaknesses increased from four to seven, system security weaknesses were reduced from six to three, and the number of component conditions that contributed to fiscal year 2007 material weaknesses was reduced from 25 to 16. Overall, audit disclaimer conditions were reduced by 40 percent.

8. *Congressional Responsiveness.*—OCFO improved responsiveness and adherence to Congressional deadlines in meeting the arduous demands of Congress. This included the on-time submission of nearly 1,500 Congressional Questions For the Record from Appropriations Committee hearings.

9. *Build the DHS Acquisition Workforce.*—OCPO made significant progress in the recruitment and development of the acquisition workforce which provides critical support to the DHS mission. Staffing levels within the Office of Procurement Operations, an organization providing contracting support for all headquarters offices, increased by 29 percent from fiscal year 2006 levels, and made awards totaling over \$4.4 billion. Various DHS training programs have resulted in the certification of 237 program managers since December 2006, a 53 percent increase in the past 11 months as well as an increase in the number of certified Contracting Officer's Technical Representatives.

10. *Make Good Business Deals.*—DHS' small business procurement program was recognized by the Small Business Administration with a score of "green" on its first ever Small Business Scorecard. Out of the 24 Federal agencies that received a rating, DHS was 1 out of only 7 agencies that received a "green" score. OCPO made significant progress implementing a new acquisition oversight program. Several special oversight reviews on particular procurement issues have been performed identifying areas of potential improvement for DHS, both at the Component and Department-wide levels.



11. *Competitive Contracting*.—Increased from 49 percent of the competition base in fiscal year 2006 to 69 percent in fiscal year 2007.

*2008 Achievements—Under Secretary for Management*

1. *Financial management policies and process*.—Over the past year, nearly 30 new CFO policies were written and signed and our Financial Management Policy Manual is expected to be on line this summer. We released the 2008 Internal Controls Playbook, published the first ever DHS Highlights Report, launched a new Program and Budget Review Process and initiated the first Performance Improvement Officer Council. In addition, e-Travel program success helped the Department achieve its best E-Gov scorecard in 2 years.

2. *Acquisition Workforce*.—Implemented a centrally funded and managed Acquisition Professional Career Program modeled after the highly successful Navy Intern Program. This program features three, single-year rotations through various components and provides the participants with all the experience and training they need to become journeyman level acquisition professionals.

3. *Competitive contracting*.—As of mid-year fiscal year 2008, DHS exceeded its annual goal of 68 percent by 4 percentage points.

4. *Counter-Intelligence Capabilities*.—Increased counter-intelligence awareness training available to headquarters and components by 5 percent and extended to non-HQ components. Reduced vulnerabilities to DHS facilities by bolstering personnel assigned to the Technical Security Counter-Measures Program increasing capacity for critical security sweeps. Increased deployment of training to State and local government as well as private-sector personnel handling classified and sensitive information received from the Department.

5. *Consolidated Headquarters*.—Worked closely with the General Services Administration (GSA) toward expeditiously bringing the Master Planning, Environmental Impact Statement and National Historic Preservation Act Section 106 Consultations to a successful conclusion for the DHS Consolidated Headquarters at St. Elizabeths Campus. In cooperation with the GSA National Capital Region, a draft prospectus was also completed for consolidation of HQ mission support elements within the National Capital Region.

6. *Consolidated Mail Service*.—Achieved milestones toward delivery of a Consolidated Remote Delivery Site to provide mail and courier services to DHS Component locations in the Washington, DC metropolitan area thereby improving efficiency, strengthening accountability and reduce risk to DHS employees by screening for chemical, biological, radiological, nuclear and explosive threats.

7. *Workforce Safety*.—Continued to achieve significant reductions in departmental injury rates, with over 46 percent reductions in total injury and lost time injury rates in the first quarter of fiscal year 2008 from fiscal year 2003.

8. *Energy Management*.—Received the Presidential Award for Leadership in Federal Energy Management for institutionalizing energy management practices. Achieved a 17.1 percent energy reduction relative to the 2003 baseline. This compares with a requirement in 42 U.S.C. 8253(a)(1) to reduce energy consumption by 4 percent and the goal established by Executive Order 13423 of 6 percent. Additionally, DHS purchased an amount of renewable electricity equal to 4.0 percent of its annual consumption.

9. *Veterans Outreach*.—Conducted Veterans Preference training for 48 DHS Human Capital and Equal Employment Opportunity specialists as part of the Veterans Outreach Strategy while continuing followup training on the Uniform Services Employment & Reemployment Rights Act. As a result of this training, we have established a de facto DHS Veterans Outreach Support Team composed of the trainees. This team can be used Department-wide for veterans outreach and hiring activities and can assist each other regardless of component. Veterans compose 24.2 percent of the Department's permanent civilian workforce and 28.4 percent of the Department's managers and supervisors. In 2007, DHS doubled the number of veterans hired in 2006; i.e. from 3,015 to 6,013.

10. *Transition Planning*.—Developed a transition planning approach for DHS to ensure operational continuity before, during and after the 2009 presidential administration transition and change in DHS political leadership. Recognized in for exemplary progress and improvements to breadth of supporting change management efforts.

*Question 4.* How many FTEs does DHS currently have? How many actual employees does DHS currently have? How many contract employees does DHS currently have?

How do these numbers relate the Department's 2007 figures?

What, if any, changes should we expect to see in these numbers in 2009?

Answer. Below is the breakdown of FTEs, actual employees and contract employees for 2007, 2008 and 2009:

2007

*FTEs.*—186,804.

*Onboard strength.*—182,397.

*Contractor employees.*—DHS does not track contractor FTE or onboard strength because we often acquire support on a fixed-price basis or based on performance objectives. The number of personnel the contractor employs is not transparent, since we are paying for a deliverable or outcome rather than man-hours. In those instances where DHS is acquiring a specific “level of effort” or man-hours, contractors may use several employees to accomplish tasks that total the number of man-hours in one FTE. While it is not possible to track or provide this information currently, we are working with the Chief Procurement Office to address this concern of Congress.

2008

*Current FTEs.*—197,055.

*Current onboard strength.*—202,060.

*Contractor employees.*—DHS does not track contractor FTE or onboard strength because we often acquire support on a fixed-price basis or based on performance objectives. The number of personnel the contractor employs is not transparent, since we are paying for a deliverable or outcome rather than man-hours. In those instances where DHS is acquiring a specific “level of effort” or man-hours, contractors may use several employees to accomplish tasks that total the number of man-hours in one FTE. While it is not possible to track or provide this information currently, we are working with the Chief Procurement Office to address this concern of Congress.

2009

*FTEs (requested).*—204,993.

*Question 5.* What are the challenges that DHS faces with program office staffing and expertise? How have those challenges contributed to issues with major acquisition outcomes, and how do you plan to address them?

Answer. The challenges experienced by program offices are the availability of training, balancing training with primary duties, and building the future workforce. A trained and qualified program office staff is able to mitigate the risk encountered and therefore improve acquisition outcomes. As the program management certification program becomes more mature and robust, individuals are required to squeeze required training amongst other high-priority activities. More is being asked of an already overloaded workforce.

With additional emphasis on training, the Department is attempting to rapidly ramp up the training throughput. While DHS has an agreement with the Defense Acquisition University (DAU), DAU cannot satisfy the entirety of acquisition training required. Other alternatives, such as contracting for instructors to present the curriculum, are being pursued. Providing sufficient training opportunities when required for the workforce will improve performance and reduce program risk.

The Department is currently working not only to get those trained who are currently assigned as program managers, but also working on developing the future workforce. The objective is to have a highly skilled and well-qualified pool of individuals who already have the education, training, experience, and certification prior to selection and assignment in these critical acquisition positions.

To resolve our personnel shortages we are intensifying our human capital planning efforts to ensure we minimize skill and competency gaps, as well as critical vacancies. We are currently conducting staffing studies that will help the Department better define its acquisition workforce needs. Our current workforce includes program managers and contract specialists. As part of our human capital planning efforts, we will identify other required acquisition career fields such as test and evaluation, logistics, cost estimation, etc. We are aggressively working to ensure that each acquisition position, upon definition, is encumbered by an acquisition professional trained and certified at the appropriate level. We are utilizing the Department of Defense (DoD) Defense Acquisition Workforce Improvement Act framework to develop a DHS certification standard.

DHS is currently testing an existing Air Force program office staffing model for possible applicability in determining our program office staffing requirements. The model has been utilized by the Air Force for program office staffing requirements in the fiscal year 2004–fiscal year 2010 Program Objective Memorandum cycles, and the model has been utilized by other DoD agencies as well. Preliminary results in

DHS indicate the model accurately captures our staffing requirements, although more study is needed and is on-going.

A snapshot of 17 DHS Level I programs from a cross-section of DHS components run through the model indicates overall program office staffing to be at approximately 90 percent of requirement. This is consistent with Air Force program office staffing. Preliminary functional assessments indicate DHS has more program managers as a percentage against total program office staffing than a typical DoD program. In addition, DHS has fewer contract specialists and financial managers as percentages against total program office staffing than a typical DoD program. Preliminary study recommendations are to normalize these percentages more in line with DoD programs, although further study and analysis are needed. Additional Level I programs are being analyzed, and the results will be presented to the DHS Program Management Council for review.

From December 2006 to the present, our number of certified program managers has increased from 449 to 948, and our number of contract specialists has increased from 865 to 977. This fiscal year, we received funding for our Acquisition Professional Career Program. This is a developmental program modeled after the highly successful DoD program and aims to attract new talent to fill entry-level acquisition positions and develop our future acquisition leaders. Our inaugural class began in January 2008 with 11 contracting professionals and a second class of approximately 32 contracting professional will begin in June 2008. In fiscal year 2009, we plan to expand the program to other acquisition career fields and expect funding for approximately 83 participants in the program. Our goal is to grow this program to 300 positions by fiscal year 2011 to fill critical acquisition positions.

*Question 6.* The Department's Investment Review Process (Management Directive 1400) has been under revision for several years.

In your view what is the appropriate role for Department-level oversight of its major investments and why have previous efforts not provided sufficient oversight? How do you plan to address this issue before the next administration?

Answer: The Department must perform the appropriate oversight of its major acquisition efforts to insure that risks are properly managed, and finite Departmental resources (budget, schedule, facilities and personnel) are used to optimal effect. However, oversight must be complemented by execution support. Execution support includes mentoring by experienced acquisition professionals as well as clear acquisition policies and procedures.

The current version of Management Directive (MD) 1400 only addresses the Capital Investment acquisition mechanism. Capital Investment is only one of the mechanisms used to acquire DHS capability. Other-than-capital-investment acquisition mechanisms (e.g. enterprise services, grants) are frequently used by the Department and, in aggregate, have significant impact on the delivery of desired overall Departmental capability.

The current plan for replacing MD 1400 includes establishing acquisition oversight/execution policies and processes for all of these capability delivery mechanisms. It should be noted here that the Department/components already manage these other mechanisms, but as stand-alone mechanisms . . . not as acquisition mechanisms. Clear acquisition policies and processes, for all of the acquisition mechanisms used by the Department, are essential to achieving efficient, economic and reliable capability delivery to the Department's operational user base.

The Department established the Acquisition Program Management Division (APMD) of the Office of the Chief Procurement Officer in August 2007. The division was established to improve oversight and execution support for DHS acquisition programs. To date, APMD has performed Quick Look assessments of 37 level 1 programs, has overseen Deep Dive reviews of the SBInet and ASP programs, and restarted the Investment Review process. The division also has provided program execution support (advice and guidance to programs by experienced acquisition professionals) including a process to collaboratively assist programs in strengthening their Acquisition Program Baselines (APBs).

Currently, the APMD team is focused on an aggressive Investment & Acquisition process re-engineering effort. That effort includes replacing MD 1400 as described above, establishing revised investment and acquisition decision procedures, and establishing a new periodic reporting system. These efforts are scheduled for completion during calendar year 2008.

*Question 7.* Currently, DHS is attempting to restructure its financial accounting systems in an effort to improve financial management across all components. This process is being managed by the Department's Chief Financial Officer.

What authority does the DHS CFO have to force the component agencies' CFOs to comply with the Department-wide strategy?

If the Secretary has made it clear that the DHS CFO has authority, why won't the Department commit to publishing a Management Directive making this clear?

Answer. The authority of the DHS Chief Financial Officer (CFO) comes from the CFO Act of 1991—one of the most comprehensive pieces of financial management improvement legislation to date. The act explicitly required that the agency CFO report directly to the agency head on financial management matters and is specifically charged with developing and maintaining an integrated agency accounting and financial management system. To avoid fragmented financial management across the enterprise, the CFO Act mandates the DHS CFO develop and maintain Department-wide financial management systems that comply with accounting principles and requirements, internal control standards, and requirements from oversight bodies. The DHS Financial Accountability Act of 2004 formally designated DHS as an agency under the CFO Act, thereby solidifying the abovementioned responsibilities of the DHS CFO.

The Department has a management directive that further emphasizes the CFO Act. DHS Management Directive 0005 explicitly names the DHS CFO as the “line of business chief who exercises leadership and authority over Financial Management policy and programs for the entire DHS enterprise.” The Directive also requires all DHS component to “comply with and implement Departmental Management policies and procedures established by the DHS CFO.”

*Question 8.* Obviously, there will be large contracts awarded by this administration that the next administration will have to honor. Do you anticipate providing the next administration with a detailed assessment of these financial expenditures?

Answer. Yes, we are preparing to provide information regarding contracts with a total dollar value in excess of \$100 million that are expected to carry over through the transition. The Office of the Chief Procurement Officer has already begun tracking those contracts. At this time the U.S. Coast Guard, the Transportation Security Administration, Immigration and Customs Enforcement, Federal Emergency Management Agency, and Customs and Border Protection currently have contracts with contract values in excess of \$100 million that will carry over through the transition.

*Question 9.* What are the Department's overall statistics for minorities in the executive cadre, the Office of the Secretary and Executive Management, and the Office of the Under Secretary for Management?

Response. Please find the attached spreadsheet providing the requested information regarding the Department's demographics. We note, however, that these snapshot statistics do not reflect the number of applicants for these positions or the applicants' qualifications. They also do not reveal the percentage of individuals in the civilian labor force qualified for those positions.

## SES BY GENDER AND RACE/ETHNICITY—OVERALL

[Updated Results]

Agency	Gender		Race/Ethnicity						Total
	Female	Male	ALL OTHER ASIAN OR PACIFIC ISLAND- ERS	AMERICAN INDIAN OR ALASKAN NATIVE	ASIAN OR PACIFIC ISLANDER	BLACK, NOT OF HISPANIC ORIGIN	HISPANIC	WHITE, NOT OF HISPANIC ORIGIN	
CBP .....	20	68	0	0	1	4	10	73	88
CIS .....	20	24	0	0	0	1	2	41	44
DNDO .....	1	6	0	0	1	0	0	6	7
FEMA .....	11	47	0	0	0	4	2	52	58
FLETC .....	3	5	0	0	0	1	0	7	8
ICE .....	12	43	0	0	0	1	6	48	55
NPPD .....	2	13	0	0	0	0	0	15	15
OIG .....	2	11	0	0	0	1	0	12	13
OS .....	29	100	0	0	0	2	5	122	129
ST .....	6	22	0	0	2	0	0	26	28
TSA .....	30	109	0	1	6	15	5	112	139
USCG .....	3	10	0	0	1	2	0	10	13
USSS .....	8	41	1	1	0	5	2	40	49
Total .....	147	499	1	2	11	36	32	564	646

SES BY GENDER AND RACE/ETHNICITY—OFFICE OF THE SECRETARY AND  
EXECUTIVE MANAGEMENT

BLACK, NOT OF HISPANIC ORIGIN		HISPANIC		WHITE, NOT OF HIS- PANIC ORIGIN		Total
Female	Male	Female	Male	Female	Male	
1	1	0	4	10	37	53

SES BY GENDER AND RACE/ETHNICITY—UNDER SECRETARY FOR  
MANAGEMENT

BLACK, NOT OF HISPANIC ORIGIN		HISPANIC		WHITE, NOT OF HIS- PANIC ORIGIN		Total
Female	Male	Female	Male	Female	Male	
0	0	0	1	10	27	38

Note.—This data is consistent with the 5/9/08 Blue Report.

QUESTIONS FROM RANKING MEMBER MIKE ROGERS OF ALABAMA FOR ELAINE C. DUKE, DEPUTY UNDER SECRETARY FOR MANAGEMENT, DEPARTMENT OF HOMELAND SECURITY

CENTER FOR DOMESTIC PREPAREDNESS

*Question 1.* The President's fiscal year 2009 budget allocation for the Center for Domestic Preparedness included an unacceptable reduction of 25 percent. The Center for Domestic Preparedness is a key training facility operated by the Department of Homeland Security, and is the only weapons of mass destruction (WMD) training facility that provides hands-on training to civilian emergency responders which includes the use of live chemical agents.

For fiscal year 2008, Congress provided \$62.5 million for the Center for Domestic Preparedness. In addition, the 9/11 Recommendations Implementation Act of 2007, which the President signed into law on August 3, 2007, included language that authorized increases in funding for the Center over a period of 4 years.

In a February 6, 2008 letter to Secretary Chertoff, I expressed concern about the proposed budget reduction at the CDP and asked for a detailed justification for this budgetary decision. In his response, he stated:

"The department believes that the \$47 million requested in fiscal year 2009 will be sufficient to support CDP's requirements and to continue its operations . . .". Could you explain in detail the rationale for reducing the CDP's budget by 25 percent?

Answer. The Federal Emergency Management Agency (FEMA) fully recognized the importance of preparedness training, and particularly the training conducted at the Center for Domestic Preparedness (CDP). CDP is a key member of the National Domestic Preparedness Consortium and the only Federal chartered weapons of mass destruction (WMD) training facility.

The CDP budget has undergone continuous review since the facility was transferred to FEMA from the Department of Homeland Security (DHS) last year. At the same time, FEMA has provided enhanced management in the process of streamlining contracts with vendors and training contractors, as well as providing greater oversight of expenditures and stipends. As a result, FEMA believes that CDP will be able to meet all program requirements and goals with the President's \$47 million request. FEMA is dedicated to continuing to look for ways to effectively manage the resources provided to CDP, as well as all other training facilities, to gain the greatest advantages for training partners and the taxpayer.

The Center for Domestic Preparedness will make adjustments to various contracts and support activities to meet the funding level provided in the fiscal year 2009 budget request. The following listing compares the fiscal year 2008 and the projected fiscal year 2009 budgets by category:

	FY 2008	FY 2009
Training Support Operations .....	\$15,587,144	\$11,322,518

	FY 2008	FY 2009
Program Operations and Support .....	19,631,856	12,687,234
M&A Set Aside .....	1,781,000	1,410,000
Totals .....	62,500,000	47,000,000

## OFFICE OF HEALTH AFFAIRS (OHA)

*Question 2.* Last year the Department established the Office of Health Affairs, and within that the Office of Food, Agriculture and Veterinary Defense (FAVD). That office is charged with the responsibilities of HSPD-9, Defense of United States Agriculture and Food. Despite the importance of this mandate, the office remains significantly understaffed and underfunded. The budget is flat at \$727,000 and five full-time employees. This small workforce is responsible for an ever-expanding mission.

On July 9, 2007, Chairman Carney and I held a field hearing in Pennsylvania on food safety, at which Dr. Tom McGinn, the director of the FAVD, testified to the critical food security mission of that office.

In a Department of over 200,000 employees, is it sensible that only five full-time employees are allocated to the safety of our Nation's food supply?

Will the office be able to keep its avian influenza contractors on, since I understand their funding runs out later this year?

What steps are being taken to ensure DHS plays the lead coordinating role if an outbreak of avian occurs?

Should Congress take any legislative action to ensure that other agencies—Departments of Agriculture and Health and Human Services in particular—recognize DHS' lead coordinating role?

Answer.

1. The Department plays a critical role in the defense of our Nation's food and agricultural supply from a wide-range of threats, from naturally occurring diseases to man-made threats. The Department has multiple components and programs focusing on these efforts to defend the Nation's food and agricultural supply, from food and agricultural inspections at the border and other points of entry to utilizing intelligence information to monitor food and agricultural threats to providing an effective response to an outbreak of FMD or other food, agricultural or veterinary disease.

The FAV Defense division of the Office of Health Affairs (OHA) serves as the Department's lead for food and agricultural defense, but not as the sole entity involved in these critical issues. The FAV Defense division has developed a strategic plan which outlines the mission space to accomplish Food Defense and Agricultural Security goals consistent with Department of Homeland Security assignments outlined in HSPDs 5-10. FAV Defense enables the Assistant Secretary and Chief Medical Officer to serve as the principal medical advisor to the Secretary, FEMA Administrator, and other departmental leadership for all food, agricultural and veterinary defense responsibilities for the Department. This role includes the coordination and integration of DHS food, agricultural and veterinary defense activities, leading the Department's responsibilities under HSPD-9, Defense of U.S. Agriculture and Food, and serving as the Department's primary point of contact for Federal, State, local and private sector food, agriculture and veterinary defense activities.

2. FAV Defense Division has five contractors and two Public Health Service officers that are currently funded with Avian Influenza (AI) money. By the end of fiscal year 2008, 2 contractors will remain funded into the following fiscal year along with the Federal staff.

3. Depending on the nature and scope of an avian flu outbreak, the Department of Homeland Security has been designated by the President of the United States as the lead Federal Department to coordinate Federal operations within the United States to prepare for, respond to, and recovery from an outbreak of avian flu as directed under HSPD-5, *Management of Domestic Incidents*, and HSPD-9, *Defense of the U.S. Agriculture and Food Supply*. The U.S. Department of Agriculture is the Federal lead for preparing for and responding to animal and zoonotic threat and diseases, such as an outbreak of avian influenza. However, the Department of Homeland Security maintains the overall Federal responsibility for incident management, as the HSPD-5 lead, for a major outbreak of pandemic influenza to coordinate and integrate response efforts ranging from human and animal health, protecting critical infrastructures and key resources and law enforcement.

In the event of an outbreak of avian influenza the following steps would be initiated: As with any animal disease, a tiered level of response is the most efficient

means of managing the incident, as directed through the National Response Framework. The intentional introduction of a foreign animal disease or the progression of an event to one of “catastrophic” nature, which exceeds the capability of a single agency, requires DHS involvement. Ideally, DHS involvement would begin early in the recognition of a foreign animal disease outbreak to ensure an effective and seamless transition of response capability between agencies or departments should that be necessary.

4. Legislation clarifying the Department’s lead role in preparing for, responding to and recovering from a catastrophic event as designated under HSPD-5, *Management of Domestic Incidents*, would reaffirm the Department’s mission of coordinating and integrating Federal, State and local roles and responsibilities as they relate to terrorism or a naturally occurring catastrophic incident.

#### CANINES

*Question 3a.* Deputy Under Secretary Duke, I understand from your predecessor Tom Essig, the Department’s Chief Procurement Officer, that his office is undertaking a Department-wide study of canine procurement. He is working to assess the Department’s total need for, and acquisition of, working canines across the many individual agencies that use them.

Can you tell me where we stand with this study?

Answer. At this point, a cursory analysis has been performed largely examining economies and demand across DHS components. As a strategically sourced solution, it has not yet been advanced to the initiative stage and accepted by the Professional Services Family Council.

*Question 3b.* Is the analysis being coordinated with the ongoing Department-wide assessment of canine utilization by Dr. Tom McGinn and the DHS office of Food, Agriculture and Veterinary Defense (FAVD)?

Answer. FAV Defense Division, through Dr. Tom McGinn’s role as Chief Veterinarian for DHS, has begun identifying DHS Canine Programs with regards to health, housing and veterinary medical care of working dogs, and ultimately will also include working horses within DHS.

*Question 3c.* Given the relatively low staffing levels within FAVD, does that office have the staffing level necessary to undertake this and the many other important projects its leaders view as requisite for doing their part in securing the homeland?

Answer. FAV Defense Division has sufficient resources to achieve a defined set of deliverables for fiscal year 2008.

#### BORDER PATROL RECRUITMENT

*Question 4.* In a March 25, 2008 Fox News Story, it was reported that the U.S. Border Patrol has taken steps to meet a mandate to hire 6,000 new border agents by the end of 2008, including:

- Eliminated the need for a high school diploma or GED for entrance into the Border Patrol;
- Lowered entrance exam passing test grades from 85 percent to 70 percent;
- Concentrated 4 months of training into 10 weeks; and
- Raised the entry level age from 37 to 40.

If you are aware, can you provide an explanation as to why the Border Patrol doesn’t require new agents to have at least a high school diploma or GED?

If you do not have knowledge of Border Patrol hiring procedures, could you please submit a detailed explanation for the record on this news report and the Border Patrol recruitment and minimum standards for acceptance?

Answer. The Border Patrol has, in fact, never had a requirement for a High School diploma or GED. It does, however, require that candidates pass a stringent pre-employment test (which is challenging even for some college graduates) and have appropriate education or experience to qualify for at least a GS-5 civil service grade. These pre-employment requirements ensure that the Border Patrol retains quality. As a practical matter, however, very few if any Border Patrol agents do not have at least a GED, and many agents have taken at least some college courses.

The Border Patrol did not lower the required test scores from 85 to 70 percent correct; 70 percent was and still is the minimum satisfactory score for the test. In the past, when hiring was occurring at a slower pace and it was possible to be even more selective, this may have resulted in a larger percentage of hires having higher scores than today. Nonetheless, the required test score is unchanged, and the test and passing score have been validated for predicting which applicants have the highest probability of successfully becoming a Border Patrol Agent. Achieving a passing score on our test is a significant accomplishment and indicates that an applicant has the capacity to become a good Border Patrol Agent. All applicants must



still complete rigorous Academy and post-Academy internships, so there are strong processes in place to ensure that the Border Patrol maintains quality.

On October 1, 2007, the United States Border Patrol Academy implemented a new 55–40 day schedule to train new Border Patrol Agents at the United States Border Patrol Academy. Over the last couple of years the Border Patrol Academy has been tasked with training the largest influx of new agents in the history of any Federal law enforcement training Academy. In order to complete this monumental task, the Academy reviewed the current schedule and determined that a better, more efficient way of training was possible without diminishing the quality of agents graduating from the Academy and reporting to the field.

The biggest change during the first 55 days is that no Spanish curriculum is presented. When the trainees arrive at the Academy, everyone will complete a Spanish language proficiency exam. Based on this exam, the trainees who achieve a certain level of proficiency do not have to complete the 40 day add-on Task-Based Spanish Language Training program.

The result of this review is a 55-day schedule that incorporates the traditional training found at most law enforcement academies and includes Law/Operations, Driver Training, Physical Techniques and Firearms. All the trainees for a particular class will enter on duty at the Academy and complete the first 55 days of training together. During this period the trainees will complete 433 hours of training over a period of 55 days. The Spanish curriculum is separate and will consist of 40 days of training, if needed, after the initial 55-day Academy.

Also, it should be noted that the entry level age was raised to 40 to deepen the applicant pool and assist the Border Patrol in meeting its appropriated number of Border Patrol agents by the end of 2008.

#### EMPLOYEE MORALE

*Question 5.* Following up on hearings this committee has held in the 109th and 110th Congress' on employee morale, could you provide an update on what the Department is doing to bolster morale?

Is there a mechanism in place for upper level management to hear the thoughts and concerns of rank-and-file Department employees to ensure their suggestions are being heard?

Answer. The Department has undertaken numerous initiatives and activities to promote employee engagement as described herein:

#### *Surveys/Analysis/Action Plans*

- From October 26–December 21, 2007, the Department conducted its first survey of all permanent DHS employees—more than 140,000—and received responses from approximately 65,000 employees. The survey was designed to measure job satisfaction and agency performance. We are using the survey findings to sharpen policies and programs for continued improvement, enhance our agency's performance and the experience of our employees.
- DHS, at both the Department- and Component-level, continues to engage in action planning activities and quarterly progress monitoring that addresses employee concerns raised in the results of the 2006 Federal Human Capital Survey (FHCS) and the 2007 Annual Employee Survey (AES).
- Data from the 2007 DHS Annual Employee Survey will allow components to complete a more in-depth analysis to better understand employee concerns and develop/tailor action planning items accordingly.
- The Survey Engagement Team, made up of DHS Component representatives, will continue to share best practices across the Department.
- The Department is planning to expand DHS-wide focus groups in 2008 to further identify areas for improvement and give voice to concerned employees.

#### *Continue Rollout of IdeaFactory:*

- The Transportation Security Administration has developed IdeaFactory, a modern version of the employee suggestion program. Employees make suggestions online that can then be commented on or improved by fellow employees. The suggestions with the most endorsements are then evaluated and adjusted for implementation across TSA. Adopted ideas include:
  - It Matters to Mo, a twice-yearly area conference call with Security Operations Assistant Administrator Mo McGowan that any employee can dial into;
  - Job Swap, a program that allows officers to “swap” positions; and
  - Walk a Mile in Our Shoes, which gives senior leadership the opportunity to experience working at the checkpoint first-hand.
- IdeaFactory is currently under evaluation for implementation at the U.S. Coast Guard and National Preparedness and Protection Directorate (NPPD). Success-

ful implementation within NPPD would provide an implementation platform for other Headquarters components.

#### *Communications*

- Leadership Journal (Secretary's blog) to which employees can post comments or questions.
- All components have employee newsletters.
- Customs and Border Protection is implementing an Ombudsman program as an informal avenue for addressing employee's issues/problems related to leadership.
- To address communications issues CBP is exploring new communication vehicles—"Fireside Chat" with Commissioner, etc. to facilitate two-way communication between employees and senior leaders, CBP also conducted 125 focus groups with CBP employees to further understand existing communications issues.
- FEMA launched an employee newsletter, incorporated Agency accomplishments into intranet page, began a series of executive brown bag lunches, site visits, and quarterly all-hands meetings.
- Continue encouraging senior leaders to host town hall meetings, site visits and other events designed to enhance face-to-face communication with employees.
- Published FHCS and AES data and reports on internal and external Web sites. Secretary sent message concerning survey results to all employees with a link to survey reports.
- Provided timely and accurate information to employees using a variety of channels.
- Continue to highlight DHS success stories on external Web site and internal communication channels.
- Continue to enhance the way in which information is presented on Web sites.
- Prepared DHS 101 Program with a forum and online course to give DHS-wide perspective to all employees and allow for cross-Component leadership interaction.
- Continue to distribute news releases, fact sheets, promotional materials etc., designed to promote knowledge and understanding of the Department's priorities and initiatives.
- Continue to implement and update work-life practices such as alternate work schedules, telework and Employee Assistance Programs (EAP).

#### *Continue Rollout of Performance Management Program*

- Continue rollout of the DHS Performance Management Program—includes employee engaged results-focused performance plans that align with organizational priorities and provide clear expectations and goals for supervisors and employees. The program is designed to be transparent in order to inspire employee trust and acceptance, as well as to increase employee understanding of the relationship between individual employee goals and formally established organizational priorities. Mandatory face-to-face performance reviews between employee and supervisor are an integral part of this program, with supervisory goals and competencies that are principled, people-centered, highly collaborative, and demonstrate stewardship of public resources.
- Include the Secretary's goals as corporate goals in all SES Performance Plans.
- Conducted manager survey to assess status of employee performance plans.
- Created new awards to focus on and reward excellence in cross-Component cooperation and relationships with external partners. Also modified another award to highlight innovations.

#### *Learning and Development*

- Continue the DHS Fellows Program. This Program gives outstanding GS-13s, 14s and 15s the opportunity for enterprise-wide leadership training, including visits to crucial emergency planning sites and a 2-month rotational assignment within the Department.
- Continue the Speakers Bureau Program to allow DHS employees to hear from senior leaders, as well as from experts in fields of interest to employees.
- Continue deploying the DHScovery Learning Management System and conducting outreach events/activities to increase awareness of DHScovery's benefits to organizational and individual performance.
- Continue leadership development courses to help develop future leaders and teach critical leadership skills to entry and mid-level managers; courses designed to improve opportunities for employee skill development.

*Recruitment/Staffing*

- Continue to monitor the progress of the initiatives designed to close skill and human resource gaps for mission critical occupations (e.g., Border Patrol Agents, Adjudication Officers and Deportation Officers etc.).
- Continue the Career Paths Program to provide a bridge for employees from TSA Transportation Security Officer positions into higher graded jobs with Customs and Border Protection.
- Established the DHS Diversity Council and DHS Diversity Strategy. Continue to establish relationships with diversity-based professional organizations and continue to pursue and cultivate more relationships for the strategy's purpose.
- Conducted orientation for 110 DHS volunteers for the Black Executive Exchange Program (BEEP) speakers' cadre, who are now participating in BEEP events at Historically Black Colleges and Universities. Participated in two events to date.
- Continue to utilize dhs.gov. This Web site is targeted to Veterans as an outreach strategy.
- Continue to pursue all appropriate efforts to enhance Diversity among the executive cadre.
- Continue to hire qualified applicants through the Presidential Management Fellows (PMF) Program.
- Continue to hire quality candidates through our Senior Executive Service (SES) Candidate Development Program (CDP), thus ensuring we fill our most senior level positions within the organization.
- Established the National Security Internship—an intensive 9-week summer program that combines Arabic language, Homeland Security, Intelligence and Area Studies, and On-the-Job-Training experience at DHS or FBI Headquarters. This internship program will create a direct career path for the DHS with some of America's best and brightest undergraduate and graduate college students who speak or are studying Arabic as well as Homeland Security, Intelligence and Area Studies in college.

## IMMIGRATION &amp; CUSTOMS ENFORCEMENT (ICE) STAFFING LEVELS

*Question 6.* In your prepared statement (pp. 6–7), you wrote about doubling the number of Border Patrol Agents. While we see an increase of CBP personnel by over 35 percent in the last few years, Immigrations & Customs Enforcement (ICE), the investigative component, has seen a 0 percent increase over that same time. What plans does the Department have to ensure investigations are a priority?

*Answer.* The Department has requested increases in funding for Immigration and Customs Enforcement that support the administration's Secure Border Initiative (SBI), controlling the border and executing a comprehensive interior enforcement strategy. In the fiscal year 2009 request, the President requested \$5.7 billion for ICE. The 2009 request includes resources for 87 Office of Investigations Special Agents and 44 positions for the Visa Security Program and the Office of Professional Responsibility, as well as increases for detention beds and State and local law enforcement coordination.

As a result of increased funding over the past several fiscal years, ICE has achieved many successes. In fiscal year 2007, for example, ICE's investigative accomplishments include:

- Enhanced Immigration Enforcement: Initiated 1,093 worksite enforcement investigative cases, which resulted in 863 criminal arrests (compared to 716 in fiscal year 2006) and 4,077 administrative arrests.
- Increased Compliance Enforcement: ICE implemented a high-intensity compliance enforcement operation to detect, deter, and disrupt terrorist operatives who sought to exploit the nonimmigrant process in order to remain illegally in the United States. The operation resulted in 249 completed investigations and 73 arrests.
- Increased Arms and Strategic Technology Investigations: ICE increased its arms and strategic technology investigations, resulting in 186 arrests (compared to 144 in fiscal year 2006), 178 indictments, and 115 convictions.
- Increased Human Smuggling Investigations: ICE initiated 2,528 human smuggling investigative cases which resulted in 1,821 criminal arrests, 1,150 indictments, 1,209 convictions, and seized \$16,400,283 in related monetary instruments.
- Apprehended Sexual Predators of Children: ICE achieved a total of 10,434 criminal and administrative arrests through Operation Predator.
- Increased Commercial Fraud and Intellectual Property Rights Investigations: ICE initiated 1,275 Commercial Fraud and Intellectual Property Rights inves-

tigative cases, which resulted in 246 criminal arrests, 178 indictments, and 196 convictions.

- Targeted Transnational Gangs: ICE arrested a total of 3,302 gang members and associates nationwide.
- Furthered Nationwide Document-Fraud Prevention Efforts: ICE initiated 1,309 fraud investigations, leading to a record 1,531 arrests and 1,178 convictions.
- Strengthened Border Enforcement Security Task Forces (BESTs): Task Forces collectively made 516 criminal arrests, 1,037 administrative arrests, seized over 49,552 pounds of marijuana, 1,326 pounds of cocaine, 151 pounds of methamphetamine, 135 pounds of heroin, 237 weapons, 12 explosives, and approximately \$2.5 million in U.S. currency.
- Initiated Significant Financial Investigations: ICE initiated 3,069 financial investigations, resulting in 1,394 arrests and 897 convictions.
- Increased Number of Trade Units: To combat trade-based money laundering, ICE now has Trade Transparency Units (TTUs) in place in Colombia, Paraguay, Argentina, and Brazil. In fiscal year 2007, ICE TTUs initiated 95 trade-based money laundering investigations and generated 36 investigative referrals.
- Enforcement against Visa Violators: ICE investigators worked to ensure compliance with the Nation's immigration laws among student and exchange visitors and other nonimmigrant visitors to the United States. ICE arrested 1,558 high-risk, non-immigrant status violators.
- Visa Security Program: ICE expanded overseas deployment to nine visa security posts in eight countries and trained more than 40 Special Agents to serve as visa security officers. ICE investigations through this program resulted in the denial of more than 750 visas and the initiation of more than 140 investigations.

#### CONSOLIDATION OF THE DHS HEADQUARTERS AT THE ST. ELIZABETHS CAMPUS

*Question 7a.* The President's fiscal year 2009 budget proposal includes \$120 million in the DHS account and \$346.6 million in the General Services Administration (GSA) account for the consolidation of the Coast Guard Headquarters, DHS Headquarters and the executive functions of DHS' operating components to the St. Elizabeths West Campus.

Although the President requested funding for fiscal year 2008, unfortunately the funding for this important project was stripped from the Omnibus appropriations bill in the waning days of the First Session of Congress late last year.

What was the impact of not receiving fiscal year 2008 appropriations for this project?

Answer. The lack of appropriations has delayed the overall St. Elizabeths development schedule, specifically delaying the Coast Guard Headquarters (Phase 1) completion until fiscal year 2013; Phase 2 until fiscal year 2014; and Phase 3 until fiscal year 2016 or later depending on future appropriations.

*Question 7b.* Could you please provide an update on where this project now stands and how the funds requested in the President's fiscal year 2009 budget will be used?

Answer. GSA's development plan for the St. Elizabeths West Campus is a 3-Phase effort. The Department's planned occupancy and phasing schedule is detailed in the DHS National Capital Region Housing Master Plan submitted to the Congress in October 2006 and is summarized as follows:

Phase	Component
1 (a & b) .....	USCG Headquarters.
2 .....	DHS HQ, FEMA, National Operations Center.
3 .....	ICE, TSA, CBP USSS (Liaison), CIS (Liaison).
Note .....	A certain amount of infrastructure, shared serves and campus support facilities will be constructed with each phase.

GSA is currently in the process of completing the Final Master Plan, Environmental Impact Statement/Record of Decision and Section 106 consultations under the National Historic Preservation Act for the development of St. Elizabeths West Campus. GSA and DHS continue to work closely with the NCPC and other regional planning agencies/consulting parties on this project and are confident we will reach an equitable solution on the Master Plan that meets the Department's minimum requirement of 4.5 million GSF of office space plus parking while preserving the National Historic Landmark designation and satisfying preservation obligations. GSA has also awarded a design contract for the construction of the new USCG Headquarters that has progressed to the design concept stage. GSA is confident in their

ability to bring these processes to a successful conclusion in ample time to meet a third quarter fiscal year 2009 contract award for construction.

Listed below is a detailed breakdown of the DHS fiscal year 2009 Budget Request for the St. Elizabeths development. In sum, funds requested for fiscal year 2009 will be used to pay for tenant specific expense for the design, construction and infrastructure of Phase (1-a) of the new USCG Headquarters facility at St. Elizabeths West Campus (new construction) and are separate from costs attributable to the General Services Administration (GSA). Also included in the budget request are GSA Fees and DHS Project Team staffing expenses to coordinate the Headquarters Consolidation requirements across all the components. Last, the request includes funding for Chief Security Officer (CSO) Site Survey activities to monitor contract personnel, building materials and equipment to prevent, detect and respond to potential counterintelligence activities during construction.

The fiscal year 2009 request does not include campus shared services such as child care, cafeteria, etc., which will be located in adaptive reuse of historic buildings (Phase 1-b) and will be requested in a future budget year. Phases 2 (DHS HQ, FEMA, National Operations Center) and 3 (TSA, CBP, ICE) will also follow in future budget years.

*Question 7c.* Do you have an estimate for the total cost for this project and timeline for completion?

Answer. The chart below depicts the current 3-phase development schedule and the estimated GSA and DHS costs subject to appropriations.\*

*Question 7d.* Can you discuss in detail the effect consolidation of DHS facilities will have on future costs?

Answer. The Department's plan seeks to consolidate the critical mission execution functions of leadership, operations coordination, program management and policy at the St. Elizabeths Campus in not less than 4.5 million gross square feet of office space plus necessary parking and infrastructure. GSA determined through The Automated Prospectus System (TAPS) analysis that the consolidation at St. Elizabeths would result in a \$743 million present value savings over a 30-year period as compared to individually replacing leases without consolidation. This analysis was based on receipt of fiscal year 2008 appropriations and will be revised by GSA to account for the lack of fiscal year 2008 funding.

In addition to the direct real estate savings, DHS will be able to achieve further savings/cost avoidances at the consolidated headquarters campus through reduction of administrative overhead, elimination of redundancies and sharing of common campus services.

The remaining mission support functions will be consolidated down to a manageable number of 6 to 8 locations taking into account unique mission requirements and has the opportunity to achieve approximately \$420 million present value savings/cost avoidances over a 30-year period through collocation of similar functions, elimination of redundancies/increasing shared services and right sizing the real estate portfolio.

*Question 7e.* What other benefits will accrue from consolidating facilities at St. Elizabeths?

Answer. DHS' mission demands an integrated approach to protect our homeland. Yet, the Department's legacy facilities are dispersed in more than 40 locations and over 7 million Gross Square Feet (GSQF) of office space throughout the NCR. This extreme dispersion of components across the NCR impose significant inefficiencies in operations, problems that are magnified considerably at the most important moments—when the Department must act as a nimble and integrated team responding to significant natural disasters or terrorist threats. The lessons learned from Hurricane Katrina clearly demonstrated that DHS needs to operate with increased integration in the preparation for and response to threats or natural disasters. A single unified headquarters bringing together component leadership, operations coordination, policy and program management is a fundamental management tool necessary to support DHS operations and is critical to the Department's long-term ability to effectively perform our mission.

Consolidating our facilities will increase efficiency, enhance communication, and foster a "one-DHS" culture that will optimize Department-wide prevention and response capability. Some of our facilities are not well-suited for mission requirements, and as the Department grows this will just exacerbate the situation. This seriously impacts our ability to recruit and retain people, when they have more appealing options in the Federal Government and clearly has a negative impact on morale for which we are often criticized.

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\*The image has been retained in committee files.

*Question 8.* In congressional testimony on February 13, 2008 before the Appropriations Subcommittee on Homeland Security, the former Comptroller General of the United States, David Walker, indicated that “more work remains” in implementing a performance-based human capital management system (p. 10).

Could you please describe what incentive programs (competitive salaries, performance-oriented pay system, graduate education reimbursement, etc.) have been instituted to attract and retain top tier talent at the Department?

Since the departure of Chief Human Capital Officer Marta Perez in January 2008, can you update me on the implementation of the Department’s 2009 Human Capital Operational Plan?

Answer. In 2004, the Department put in place a directive providing for additional compensation to address employee recruitment and retention incentives. It includes provisions for paying recruitment incentives, relocation incentives, and retention incentives and using the superior qualifications and special needs pay-setting authority as well as the repayment of student loans for recruitment and retention.

During 2007, the Department paid 108 recruitment incentives, totaling \$1,274,012; 21 relocation incentives, totaling \$406,482; 656 retention incentives, totaling \$580,432; and 71 student loan repayments, totaling \$554,711.

The comparable numbers for 2006 were 21 Recruitment Incentives, totaling \$279,458; 12 Relocation Incentives, totaling \$149,601; 1098 Retention Incentives, totaling \$3,350,241; and 17 Student Loan Repayments totaling \$161,425.

There are also two draft directives in the coordination process—a referral bonus policy and a tuition assistance policy. The former would pay employees up to \$1,000 for referring individuals subsequently selected for hard-to-fill positions. The Tuition Assistance (TA) policy for employee supplemental Training, Education, and Professional Development allows employees, with their supervisor’s approval, to pursue and/or advance their formal academic education. If studies relate to current duties, resolve an identified staffing problem and/or are part of a planned, systemic and coordinated agency employee development plan, employees and supervisors will coordinate requests for tuition assistance funds for no more than three college courses (9 credit hrs) per semester using their respective organizational program funds. To comport with merit systems principles any request that places an employee in a full-time student status will require a competitive selection process that affords other eligible employees equal access and/or opportunity to compete for the program offering.

In addition, the Department implemented the title 38 pay authorities, under delegation agreement with OPM, to allow recruitment and retention of medical officers (physicians) with extensive prior experience. None of the available options; the General Schedule, Senior Executive Service, or the Senior Level or Scientific or Professional pay systems provided sufficient flexibility or salary range to accommodate the pay received by the candidates desired for critical medical officer positions in the Department. As implemented, the title 38 pay setting authority provides increased pay-setting flexibility, allowing the Department to attract candidates with the desired qualifications and experience.

Since Marta Perez’s departure in January 2008, the Office of the Chief Human Capital Officer (OCHCO) continues to track and document goals outlined in the fiscal year 2007–2008 Human Capital Operational Plan. The attached scorecard documents progress toward all goals through fiscal year 2008 second quarter.\* A web-based scorecard is available for all DHS employees to access. The website includes links to documentation that supports goal completion.

The OCHCO is initiating human capital planning activities to include development of the fiscal year 2009–2010 human capital operations plan (HCOP).

QUESTIONS FROM RANKING MEMBER MIKE ROGERS OF ALABAMA FOR CLARK KENT ERVIN, DIRECTOR, HOMELAND SECURITY PROGRAM, THE ASPEN INSTITUTE

#### IMMIGRATION & CUSTOMS ENFORCEMENT (ICE) STAFFING LEVELS

*Question 1.* Deputy Under Secretary Duke, in your prepared statement (pp. 6–7), you wrote about doubling the number of Border Patrol Agents. While we see an increase of CBP personnel by over 35% in the last few years, Immigrations & Customs Enforcement (ICE), the investigative component, has seen a 0% increase over that same time. What plans does the Department have to ensure investigations are a priority?

Mr. Ervin, based on your former role at DHS, what are your views regarding the staffing levels at ICE?

\*The document has been retained in committee files.

Answer. I did not examine staffing levels at ICE during my time as DHS' Inspector General, as best I can recall. I can say that it was my sense then, and it remains my sense now, that ICE, like DHS as a whole, is under-staffed for the myriad functions it is called upon to perform. I regret that I cannot be more helpful. Thank you, again, for your query, and I hope to have the pleasure of testifying before you and your colleagues in the future.

QUESTIONS FROM RANKING MEMBER MIKE ROGERS OF ALABAMA FOR JAMES JAY CARAFANO, SENIOR RESEARCH FELLOW IN DEFENSE AND HOMELAND SECURITY, THE HERITAGE FOUNDATION

#### BORDER SECURITY

*Question 1.* One of the most important issues facing the security of our Nation is the immediate need to secure our land borders.

Dr. Carafano, you have studied this problem extensively. Could you please give us your analysis of the problem and your recommendations on how to secure the border quickly and cost effectively?

Answer. The biggest problem at the border is the growing crime, mainly due to drug smuggling. Cartels are fighting over control of smuggling corridors, and the violence spreads to border communities in both Mexico and the United States. However, border patrol agents cannot focus on combating drug cartels because they easily hide within the 500,000 people who cross the border illegally each year.

In order to realistically secure our borders, we must reduce the flow of illegal immigrants. This can be done by providing legal avenues that meet U.S. labor demands, are streamlined, and easy to use. In addition, there must be consistent internal enforcement to deter illegal migration.

Working with Mexico is a crucial aspect of achieving this goal. The crime occurring at the border hurts them as much as it does us, and collaborating with one another benefits us both.

Increasing the number of border patrol agents, and continue to lengthen the fence to deal with the current problem is not cost effective, nor can it be done quickly. The government would take several years to properly train the mandated increase of CBP agents, and the fence has been an ongoing endeavor for more than a decade. Instead, DHS should rely on other outside resources for a quick and temporary surge at the border. Contractors, volunteers, and State defense forces could all be used in a cost-effective manner at the border. However, once the mass majority of migration crossing is done legally, such robust security will not be necessary.

